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# **The Management of a Distributor in a B2B Perspective - a Case Study of Getinge AB -**

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## Abstract

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### Abstract

- Title:** The Management of a Distributor in a B2B Perspective  
-a Case Study of Getinge AB-
- Date of the seminar:** May 20<sup>th</sup>, 2011
- Course:** FEKP90, Examensarbete Civilekonomprogrammet,  
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- Advisor:** Tomas Hellström
- Keywords:** B2B, Distributors, Relationship marketing, Branding,  
Medical equipment
- Thesis purpose:** The purpose of this thesis is to give insight on how industrial companies, with a presence on the global market, should manage their relationships with distributors. Our study is based upon the company Getinge AB and their Turkish distributor MAK. The aim is to investigate critical factors for success and issues in such a relationship.
- Methodology:** In order to understand the relationship between a manufacturer and their external distributor we have conducted semi-structured qualitative interviews with a highly technological B2B company, Getinge AB and their distributor, MAK on the Turkish market. To see if the distributors work has been effective we have also conducted a quantitative research with their customers. This research is conducted through structured telephone interviews.
- Theoretical perspectives:** The branding Triangle (Kotler & Pfoertsch, 2006), Four types of distribution relationships (Ford et. al. 2003), The awareness pyramid (Aaker, 1991), Relationship marketing (Berry, 1983)
- Conclusion:** Our findings indicate five key concepts that seem to be of crucial value in the relationship between a manufacturer and a distributor. Trust, respect, contract, personal attachment and knowledge exchange we believe have equal importance for a well functioned collaboration. This thesis finally suggests some general and valuable insights for other companies to be aware of in order to succeed when using a distributor.

## Executive summary

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The usage of foreign distributors on international markets has increased steadily over the past 30 years. Manufacturers who operate in a business-to-business environment now see the benefits by using this form of arrangement. At the same time the process of building a strong brand is gaining more attention in industrial markets, and has proven to be an effective way to reduce barriers to conclude a sale.

In order to fulfil the purpose of these research two main questions has been answered; What attributes are important factors in this kind of relationship? What are the approaches that lead to success and critical issues for the management to assess?

In addition to this we have conducted a brand awareness and attitude research among the hospitals in Turkey, in order to compare Getinge with their global and local competitors. This will answer the third question; Marketing/brand research on the Turkish market; Have the distributor made a successful approach towards the customers?

The results from the qualitative research give some general ideas on how such relationships should be managed and the quantitative study puts those findings in a market perspective. For the relationships to flourish, management must consider trust, respect, contract, personal attachments and knowledge exchange.

In the analysis we will discuss the five key findings we have found to be important, and the benefits of having a foreign distributor will be presented. The thesis will be concluded in the last chapter with managerial implications that needs to be monitored in order to create a healthy distributor-manufacturer relationship in the long run.

## Acknowledgements

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We would like to direct a special gratitude to our supervisor, Professor Tomas Hellström, for his support and valuable knowledge during our research.

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Furthermore we want to thank Per-Olof Andersson who gave us important insight in Getinges products during a tour at the sterile central, University hospital in Lund.

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Lund, 2011-05-13

Magnus Holmqvist

Therese Linde

## Table of contents

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### Table of contents

<i>Abstract</i>	<i>II</i>
<i>Executive Summary</i>	<i>III</i>
<i>Acknowledgements</i>	<i>IV</i>
<i>Table of contents</i>	<i>V</i>
<b>1. Introduction</b>	<b>1</b>
<b>1.1 Introducing our subject</b>	<b>1</b>
<b>1.2 Problem formulation</b>	<b>1</b>
1.2.1 Practical problem	1
1.2.2 Theoretical problem	2
<b>1.3 Aim and purpose</b>	<b>2</b>
<b>1.4 Specifications and demarcations</b>	<b>3</b>
<b>1.5 Motivation of managerial research approach</b>	<b>4</b>
<b>1.6 Outline of the thesis</b>	<b>4</b>
<b>2. Theoretical Framework</b>	<b>6</b>
<b>2.1 Distributors</b>	<b>6</b>
2.1.1 What is a distributor?	7
2.1.2 The increased use of distributors	7
2.1.3 What's in it for the distributor?	9
2.1.4 How to manage the relationship	9
2.1.5 Positive and negative outcomes	10
<b>2.2 Relationship marketing</b>	<b>11</b>
<b>2.3 Differences between B2B and B2C marketing</b>	<b>13</b>
<b>2.4 Business market purchase process</b>	<b>15</b>
<b>2.5 The value of a brand</b>	<b>17</b>
2.5.1 A brand's image and identity	19
2.5.2 Corporate brand	22
<b>2.6 Corporate Reputation</b>	<b>23</b>
<b>3. Methodology</b>	<b>26</b>
<b>3.1 Secondary data</b>	<b>26</b>
<b>3.2 Primary data</b>	<b>26</b>
3.2.1 Quantitative	26
3.2.1.1 Data collection	26
3.2.1.2 Survey instrument	28
3.2.1.3 Data processing/data analysis	29
3.2.2 Qualitative	30
3.2.2.1 Data collection	30
3.2.2.2 Data processing/data analysis	31
<b>3.3 Validity and reliability</b>	<b>32</b>
3.3.1 Secondary data	32
3.3.2 Primary data	32

## Table of contents

---

3.3.2.1 Quantitative	32
3.3.2.2 Qualitative	33
<b>4. Empirical research</b>	<b>34</b>
<b>4.1 Discovering our case study</b>	<b>34</b>
4.1.1 Getinge AB	34
4.1.2 Getinge Infection Control	36
4.1.2.1 The competition in the sterilization/disinfection industry	37
4.1.3 Turkey	38
4.1.3.1 Getinge in Turkey	38
<b>4.2 Interview John Hansson, President Getinge International</b>	<b>39</b>
<b>4.3 Interview Vecihe Özek, Sales manager MAK</b>	<b>42</b>
<b>4.4 Marketing Research, Getinge in Turkey</b>	<b>46</b>
<b>5. Analysis</b>	<b>48</b>
<b>5.1 Trust</b>	<b>49</b>
<b>5.2 Respect</b>	<b>51</b>
<b>5.3 Contract</b>	<b>52</b>
<b>5.4 Personal attachment</b>	<b>53</b>
<b>5.5 Knowledge exchange</b>	<b>54</b>
5.5.1 Internal training	56
<b>6. Conclusion/Implications</b>	<b>58</b>
<b>6.1 Critical issues</b>	<b>58</b>
<b>6.2 Success factors</b>	<b>59</b>
<b>6.3 Concluding remark</b>	<b>60</b>
<b>7. Bibliography</b>	<b>61</b>
<b>7.1 Books</b>	<b>61</b>
<b>7.2 Articles</b>	<b>62</b>
<b>7.3 Internet Sources</b>	<b>63</b>
<b>7.4 Interviews &amp; Lectures</b>	<b>65</b>
<b>Appendix I; Method Research Company, Istanbul</b>	<b>66</b>
<b>Appendix II; Quantitative survey for Getinge's customers</b>	<b>68</b>
<b>Appendix III; Semi structured interview, John Hansson</b>	<b>79</b>
<b>Appendix IV; Semi structured interview, Vecihe Özek</b>	<b>80</b>
<b>Appendix V; Article</b>	<b>82</b>

## Introduction: Defining the scope of the thesis

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### 1. Introduction: Defining the scope of the thesis

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*The introduction chapter will define our incentives for this master's thesis and give a background to our chosen problem formulation, both theoretically and practically.*

*It also contains further specifications and demarcations for our subject to get a clearer view of the purpose.*

*The chapter ends with our outline of the thesis that demonstrates the structure of this master's thesis.*

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#### 1.1 Introducing our subject

More and more research enlightens the importance of long-term relationships in businesses; in fact it has been common known that it gives crucial value and a competitive advantage to the involved company. During the last couple of decades we have experienced an incredible economic growth on many markets that was earlier considered developing markets. Many companies need to seek business outside their domestic markets in order to develop business growth, and to evolve their product offerings. One way of entering foreign markets is to use a distributor who receives the rights to sell the products on the market. This is an effective entry strategy where sales channels and distribution channels are developed immediately. Thus it requires sales managers to develop a close relationship with the distributor to secure that their brand is used in line with their present strategy, not to confuse the customers. For the investigation of such a relationship we have collaborated with Getinge AB and their Turkish distributor MAK. We found Getinge to be a suitable company to examine; because of their position in an international business-to-business (B2B) market and long experience with both their own sales offices as well as distributors abroad. This case study gives us an in-depth analysis of both the perspectives in a distributor-manufacturer relationship.

#### 1.2 Problem formulation

##### 1.2.1 Practical Problem

In order for B2B companies to grow internationally and at the same time not to risk a vast amount of time and money to set up sales offices, distributors are becoming more interesting. The interest for brand building in a B2B context is growing and managers now see the benefits by having a strong brand. A conflict of interest arises when the distributors both want to promote their own brand and simultaneously sell the products from the manufacturer. The managerial implications is how to manage the relationship with the distributors and how to educate them in how to handle the manufacturers brand in order not to make it contradictory towards their own brand values.

Our case study gives us the opportunity to explore Getinges brand on the Turkish market; Is the brand known in Turkey? How are they perceived by the end-customers? These questions have never before been researched and evaluated.

## Introduction: Defining the scope of the thesis

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### 1.2.2 Theoretical Problem

Branding in the B2B context has gained focus during the last two decades. However we have found little research done on how to manage the relationship with distributors to make them perform as well as possible with a special interest of managing the manufacturer's brand. This is particularly true when the distributors only sell products exclusively from one brand.

We believe that more research is needed and that studies have to be made on different markets and industries to find out the best way to handle the relationship with distributors.

### 1.3 Aim and purpose

The aim of this thesis is to find attributes that affects the relationship between a global manufacturer and local distributor. There need to be a close relationship between these two parties for the manufacturer brand to be used in a way that not confuses the customer. By investigating our case company, Getinge, we will examine the successful factors as well the critical issues that occur in the relationship with their relationship MAK with special regard to the latter's management of Getinge's brand. Getinge is a well suited company to examine, since they operate in an international B2B market and has a long history with distributors.

To fulfil our stated aim, we need to answer the following questions:

- What attributes are important factors in this kind of relationship?
- What are the approaches that lead to success and critical issues for the management to assess?

To find the answers to our stated problems we will conduct interviews to get the perspective of both sides of the relationship. A qualitative research seeks the unstructured responses, open-ended and in-depth answers. The ambition is to reach the responders own thoughts and feelings about the relationship between the manufacturer and distributor.

In addition to this the Getinge case gives us the opportunity to explore the market where MAK is operating. We will conduct a quantitative research of the Getinge brand in Turkey. This will answer the question:

- Have the distributor made a successful approach towards the customers?

One of the main purposes of doing a marketing research is to establish foreign market opportunity analysis.<sup>1</sup> We were asked to do a research on how well Getinge is known and perceived on the Turkish market. The purpose by using a quantitative research is to design a structured questionnaire with a specific response format. The survey is designed for the respondent to answer about demographic characteristics, behavior, attitudes, motives etc. This gives the possibility to later be summarized in statistics for making estimation of the market as a whole.

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<sup>1</sup> V Kumar, David A. Aaker and George S. Day. *Essentials of Marketing Research*, Chichester: John Wiley & Sons, 1999.



## Introduction: Defining the scope of the thesis

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### 1.4 Specifications and demarcations

Ford et al. makes three different interpretations of distribution. The first is described as a bridge that closes the gap between the manufacturer and the user. The functions that are needed to close this gap often consist of promotion, distribution of the product and negotiation.<sup>2</sup> The second describes the meaning of the word distribution as the physical delivery. This is the actual fulfilment of the business arrangement and it involves both the information flow and the delivery of products that are needed.<sup>3</sup> The last meaning of distribution is seen as a network, and the offerings within this network.

The network is constructed by the companies that are involved in the distribution, which are both the manufacturer and the independent distributor. The distribution network is then linked with broader networks made of suppliers and users.<sup>4</sup> Our focus is towards the first definition of a distributor, an organisation that fills the gap between a manufacturer and the end-customer.

The distributor is a part of the supply chain, which is a process that moves a product/service from the supplier to the customer. There have been made a difference between short and long channels in literature. Our focus is towards a short channel, which is described as business users, with extensive technical knowledge and regular service required, large orders, demanding expensive and complex products, channel control important etc.<sup>5</sup>

Our research is done in collaboration with Getinge AB, which demarcates our subject and the role of the distributor. Getinge function in a B2B environment with complex industrial products. They work very closely with their distributor and are considered as a partner rather than external distributor. A special feature to this relationship is that the distributor works almost exclusively with Getinges products. The involvement and investment are high for both parties.

Because of our case company this study becomes directed towards corporate branding, a usual approach in B2B context.

We will look into the purchase decision process, since we find it relevant to know the underlying factors made by the end-customer. In this case the end-customers are hospitals in Turkey.

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<sup>2</sup> David Ford et al. *Managing Business Relationships* (2nd Ed.). Chichester: John Wiley & Sons, 2003.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> NSCC, - Lecture Notes, "Channels of distribution, logistics and wholesaling".

Available at: [http://ww2.nsc.edu/gerth\\_d/MKT2220000/Lecture\\_Notes/unit13.htm](http://ww2.nsc.edu/gerth_d/MKT2220000/Lecture_Notes/unit13.htm) (2011-02-10).

## Introduction: Defining the scope of the thesis

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### 1.5 Motivation

We have chosen to aim this study towards managers of distributor relationship. It is in their great interest to understand how to educate and manage the distributors in order to preserve the brand image among customers. With an aim to have a global presence, many companies can not set up sales offices, instead are obliged to hire external partners. By manage the relationship with distributors properly; a win-win situation can occur where the manufacturing company earns money immediately when entering a country and the distributor earn money since they can often offer superior products to customers. The need for a global presence is increasing and we felt that the literature lacks in the field of external distributors, especially where the distributor solely sell one brand. We hope to somewhat fill this gap with our study.

### 1.6 Outline of the thesis

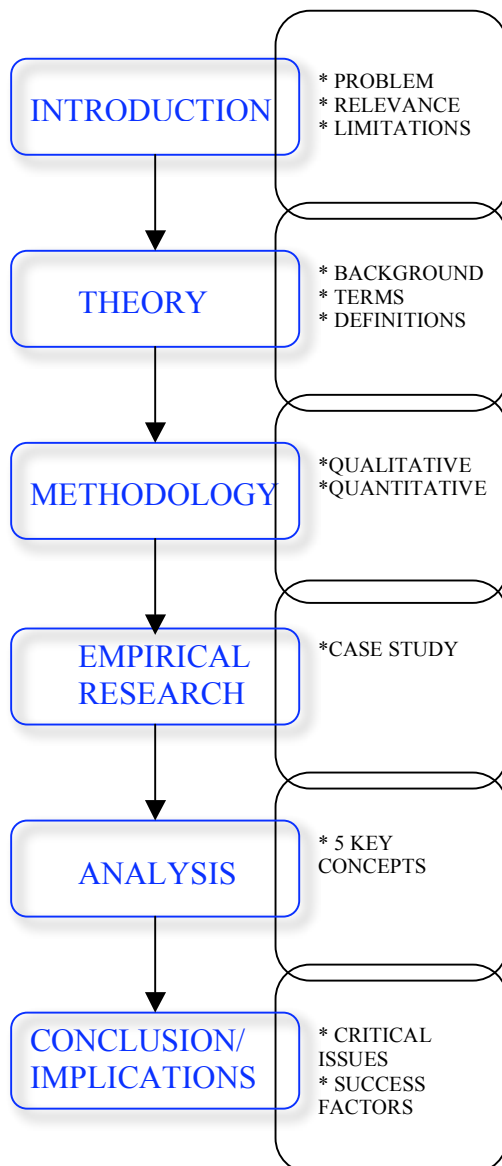


Figure 1; *Outline of the thesis*

## **Introduction: Defining the scope of the thesis**

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In chapter 1 we will introduce and define the scope of the subject. In chapter 2 we emphasize on the theoretical framework that has been written by others. In chapter 3 we discuss our method and approach to our own research. In chapter 4 the empirical research is described and implemented. In the final chapters, 5 and 6, the analysis and implications can be found.

## **2. Theoretical framework**

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*In this chapter we present some background theory to gain a better understanding to our thesis. It starts broadly with explaining the term distributor which creates the foundation of our thesis. The reader is given an understanding to why distributors are used and how to manage this relationship. This further evolves in a brief description of relationship marketing. We also want the reader to be aware of the differences between B2C and B2B markets, which are of great importance since the focus hereafter solely will regard B2B. A major difference between B2C and B2B is the level of involvement and the buying process. Distributors are a bridge in the supply chain, and to gain understanding for the entire process it is necessary to explain the motives from the end-customers. Part of our thesis aims to investigate how a distributor can manage two separate brands simultaneously. Therefore we find it necessary to present the theory behind brands which will naturally lead into the importance of having a good corporate reputation on the market.*

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### **2.1 Distributors**

The supply chain has often been neglected when it comes to being a mediator of the brand, but it can either destroy or build up a brand.<sup>6</sup> Distribution is an important area in this chain and should be emphasized since it affects both costs as well as customer experience which drive the overall profitability. To choose the right distributor has become a way for companies to gain competitive advantage and to avoid unnecessary risks.<sup>7</sup>

The focus has increased regarding the organizational capability, which is referred to “the ability of an organization to continually acquire, assimilate and renew its knowledge stores to address environmental changes.” This requires integration with partners in their value chain, a complex value creating process that focuses on the organizational behaviour which could eventually lead to competitive advantage.<sup>8</sup>

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<sup>6</sup> Brandchannel, How your supply chain can build or destroy your brand, By: Benson Joseph, Kinsella Bret, Available at:

[http://www.brandchannel.com/papers\\_review.asp?sp\\_id=329](http://www.brandchannel.com/papers_review.asp?sp_id=329) (2011-02-09).

<sup>7</sup> Sunil Chopra. *Designing the Distribution Network in a Supply Chain*. Upper Saddle River: Prentice Hall, 2001.

<sup>8</sup> Fang Wu. R, R, Sinkovics, T, S, Cavusgil and A, S, Roath. “Overcoming Export Manufacturers Dilemma in International Expansion”. *Journal of International Business*, 38 (2007): 283-302.

## Theoretical framework

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### 2.1.1 What is a distributor?

The distributor is a middleman that helps a company on one of their international or domestic markets. The distributor usually has exclusive sales right on a specific market and they work closely with the manufacturer. The arrangement between the parties is commonly continuous over a long period of time. By using a distributor the manufacturer still has some control over prices, marketing, service and other functions.<sup>9</sup> One benefit of the collaboration is that the manufacturer doesn't have any fixed cost to be responsible of, which they would have if they entered the market on their own.<sup>10</sup>

Another basic explanation of a distributor could be described as a firm that bonds a manufacturer to its customers and in its strictest form should; “purchase goods from his supplier for stock, actively promote and sell this stock to users, provide advice and service as appropriate for the product he sells, invoice and collect money from his customers.”<sup>11</sup>

### 2.1.2 The increased use of distributors

It has become common for companies to use intermediaries to get their products out to customers. This could be done through a distribution channel, by an interdependent organization that makes the product available for the public. The usage of distributors have increased over the last 30 years, this because of various reasons.

One reason is the increasing demand of rapid service by customers, to be able to respond quickly to the market needs.<sup>12 13</sup> Research explains how it previously was seen as a positive outcome to reduce the number of business contacts/intermediaries. Now they advocate that the more choices and contacts the better.<sup>14</sup> Relational exchanges have become necessary for the companies' survival, and in an increasing competitive environment companies constantly seek collaborative relationships to build long-term alliances.<sup>15</sup>

It could also be explained by the shift towards a pull strategy in the markets. Today the companies' want to get the customers involved rather than just traditional marketing efforts commonly used in a push strategy.<sup>16</sup>

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<sup>9</sup> Pervez N. Ghauri. and Philip, Cateora. *International Marketing* (3rd ed). New York: The McGraw Hill companies, 2010.

<sup>10</sup> John Hanson. President Getinge International. Interviewed by Magnus Holmqvist and Therese Linde. Getinge, Sweden 2011-03-03.

<sup>11</sup> B2B International, “The changing world of industrial distribution”.

Available at:

<http://www.b2binternational.com/publications/articles/industrial-distribution/> (2011-02-11).

<sup>12</sup> Susan Mudambi. and R, Aggarwal. “Industrial distributors – Can They Survive in the New Economy?”. *Industrial Marketing Management*, 32 (2003) 317-325

<sup>13</sup> NSCC, - Lecture Notes, “Channels of distribution, logistics and wholesaling “.

Available at:

[http://ww2.nsc.edu/gerth\\_d/MKT2220000/Lecture\\_Notes/unit13.htm](http://ww2.nsc.edu/gerth_d/MKT2220000/Lecture_Notes/unit13.htm) (2011-02-10).

<sup>14</sup> Ibid.

<sup>15</sup> Ghauri, 7

<sup>16</sup> Mudambi, 7

## Theoretical framework

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In order to succeed in new markets suppliers must, due to the increase of distributors in industrial sales channels, develop strong relationships with them. This becomes even more important if the manufacturer is targeting markets in different countries, since the service standards may vary in different countries. Another important reason for using distributors is the reduction of trade barriers.<sup>17</sup>

Ford et al. have given some reasons for the increased use of distributors such as the number of customers and the size of them has increased over the years, along with customers becoming more geographically widespread.<sup>18</sup> By using a distributor in a foreign country, the company moves closer to the market and customers. Another benefit could be that problems easier could be recognized and a more rapid solution can be carried out.<sup>19</sup>

To quickly learn and adapt to local markets can be seen as a competitive advantage, a strategy to decrease the possibility of duplication by rivals. Local market knowledge is one of the fundamental benefits by having a foreign distributor. They possess critical market intelligence on customer expectations, local requirements etc. The information about the foreign markets is also highly depended on the distributor's willingness to support and cooperate, which means that a good relationship of trust is becoming more important. There are three ways to conquer barriers of cultural distances; trust, knowledge sharing and contract-based relationship. Trust is considered to be the most effective way to distributor opportunism.<sup>20</sup>

The success is also dependent on the manufacturer's experience with new markets and their flexibility to operate under different circumstances. Findings show that it is equally important for manufacturers on a regularly basis absorb local know-how from their distributors. "It will be helpful for the exchange parties in the international relationship to provide specific programs such as joint training sessions and culture-related education in order to facilitate the transfer of tacit knowledge and bridge the gaps between international channel partners."<sup>21</sup>

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<sup>17</sup> Amit K. Ghosh, J. W. Benoy, J. T. Gardner and S. V. Thach "Understanding Industrial Distributors' Expectations of Benefits From Relationships With Suppliers". *Journal of Business & Industrial Marketing*, 19 (2004): 433-443.

<sup>18</sup> Ford, 3

<sup>19</sup> Ghauri, 7

<sup>20</sup> Wu, 6

<sup>21</sup> Ibid

## Theoretical framework

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It could be a risk to conduct joint training sessions, since the distributor gain a lot of knowledge about the manufacturer, which they could take advantage of.<sup>22</sup> There is a danger by exchanging information with foreign distributors which could affect the competitiveness on the foreign market. The distributor may use this advantage, their local knowledge, for their own favour.<sup>23</sup> Another negative effect is that it can be difficult to secure a commitment to a distributor, though they are to a certain extent acting independently. They have their own policies, procedures and goals that are seldom completely in line with the manufacturer.<sup>24</sup> Hopefully the opportunity by sharing information between the two parties may increase the collaboration, reduce the need of monitoring, and will overcome the threats.

Since a distributor is an independent organization it is difficult to have the identical operation objectives as the company they are representing. The manufacturing company should try to find a distributor who has the same culture as they have, in order to reduce risk and uncertainty.<sup>25</sup>

### 2.1.3 What's in it for the distributor?

Distributors seek to gain financial benefits such as increased profits and reduced operational costs, and they also seek differentiation benefits derived from improved product advantage for their customers.<sup>26</sup>

### 2.1.4 How to manage the relationship

A strong relationship between the supplier and the distributor can be of great competitive advantage.<sup>27</sup> It is important to have efficient information exchange with the distributors to improve their performance and the movement of the offering within the network. This is also important in order to make changes to the requirements of the customers.<sup>28</sup>

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<sup>22</sup> Wu, 6

<sup>23</sup> Ibid

<sup>24</sup> Lester E. Goodman. and P, A, Dion. "The Determinants of Commitment in the Distributor-Manufacturer Relationship". *Industrial Marketing Management*, 30 (2001): 287-300.

<sup>25</sup> Zhang Meimei. and J. Fang, "Participatory Evaluation System and Empirical Performance for Distributor Selection". *4th International Conference on Wireless Communications, Networking and Mobile Computing*, (2008): 1-4.

<sup>26</sup> Ghosh, 8

<sup>27</sup> Mudambi, 7

<sup>28</sup> Ford, 3

## Theoretical framework

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Trust is all about investment, commitment and the willingness to be vulnerable. Trust is a bonding force that gives both companies a moral contract towards each other. It motivates a long-term perspective and resolve short-term conflicts.<sup>29</sup> Trust-based governance is defined as the confidence that the parties have for each other. That they have mutual believes to the performed actions will benefit the success of the relationship and that none of the organisations will exploit another's vulnerability. Satisfaction is highly connected with trust; satisfied partners invest more resources into the relationship.<sup>30</sup>

Every business agreement is still in the need of a formal contract, which sets up guidelines for the relationship, a guarantee that promises are and stays fulfilled.<sup>31</sup> The formal agreement must contain the areas of responsibilities between the manufacturer and distributor, for example a sales minimum which serves as the evaluation key for the distributor.<sup>32</sup>

A common pitfall is the different perception of the distributor's role in the relationship, between the actual distributor and the manufacturer which could lead to management problems.<sup>33</sup> One major reason for this is the lack of initial and regularly discussion that clarifies the expectations of the collaboration.<sup>34</sup>

### 2.1.5 Positive and negative outcomes

When the distributor meets the customer and tries to mediate the brand promise, it becomes the moment of truth. The customer can receive this promise as a negative or positive impact on their perception of the brand. If he/she experiences the salesman in a negative way, the sale will probably not go through.<sup>35</sup> The industrial distributors are responsible to accomplish important elements of the manufacturer's offering.<sup>36</sup>

The personalities can either make or break a deal. This is not only between the distributor and customer, but it can also be the relationship between the distributor and the manufacturer. Strong personal links between the latter can play a key role and motivate both parts.<sup>37</sup>

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<sup>29</sup> Wu, 6

<sup>30</sup> Ghosh, 8

<sup>31</sup> Wu, 6

<sup>32</sup> Ghauri, 7

<sup>33</sup> Mudambi, 7

<sup>34</sup> My Business, "How to improve distributor relationships"

Available at:

<http://www.mybusiness.co.uk/YS0d36doRI5jag.html> (2011-02-11).

<sup>35</sup> Brandchannel, How your supply chain can build or destroy your brand, By: Benson Joseph, Kinsella Bret,

Available at:

[http://www.brandchannel.com/papers\\_review.asp?sp\\_id=329](http://www.brandchannel.com/papers_review.asp?sp_id=329) (2011-02-09).

<sup>36</sup> Ford, 3

<sup>37</sup> Mudambi, 7



## Theoretical framework

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Three areas of restrictions are described as physical distance, flexibility and solidarity. Because of the physical distance it's difficult for the manufacturer to monitor and interact in the same way as they do in a domestic environment, secondly the difference in political and legal systems (institutional disparities), third the different perceptions that could occur in different cultures, e.g. on effective individual incentives and legitimate authority may differ.<sup>38</sup> The flexibility is the willingness to adapt under such circumstances needed. The exchange of information is a crucial part and both parties actively exchange information to avoid uncertainty. The third restriction is solidarity, the expectations in the relationship, and the behaviour.<sup>39</sup>

### 2.2 Relationship marketing

The term Relationship Marketing was first suggested by the American researcher and author Leonard Berry in the year of 1983. He wrote a paper named Relationship Marketing which was presented at the American Marketing Association's Services Marketing Conference in the proceedings to the conference. Relationship marketing is a simple idea where you focus your marketing towards existing customers so that they become more loyal.<sup>40</sup>

Relationship marketing in industrial markets is gaining more interest. Instead of creating the marketing effort upon competition and self interest the focus has shift to more of a mutual understanding, trust and joint benefits. Relationship marketing is believed to benefit the marketing productivity by generating efficiency and effectiveness.<sup>41</sup>

In Berrys' original paper from 1983 he described marketing in terms of existing customers, not necessarily attracting new ones. This is especially important in service industries were everyone tries to steal each others customers. It's all about attracting, keeping and developing the relationship towards the customers. The idea is that it is equal or even more important to serve the current customers instead of attracting new ones, and this is made possible through excellent service that results in loyal and repeated customers.<sup>42</sup>

Berry presented five different strategies a company could use in order to perform relationship marketing. They can be used either separately or in combination with each other. The first is to have a core service strategy, which attracts new customers and keep them over time by having good quality that can help selling more services in the future.<sup>43</sup>

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<sup>38</sup> C. Zhang, S. Tamer and A, S, Roath. "Manufacturer Governance of Foreign Distributor Relationships: Do Relational Norms Enhance Competitiveness in the Export Market?". *Journal of International Business Studies*, 34 (2003): 550 – 566.

<sup>39</sup> Ibid.

<sup>40</sup> Leonard L. Berry. "Relationship Marketing of Service Perspective from 1983 and 2000". *Journal of Relationship Marketing*, 1 (2002): 59-77.

<sup>41</sup> Ghauri, 7

<sup>42</sup> Berry, 11

<sup>43</sup> Ibid.

## Theoretical framework

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The next strategy is to create a customized service offer to each customer to make them more loyal. This is becoming easier with the information technology we have today which make the data storage easier. The idea is to make the customer forced to continue with your offering since they don't want to start all over with another supplier.<sup>44</sup>

Service augmentation is, according to Berry, to incorporate something more to the offering that is not available somewhere else. It should be of significance to the customer to view it as a competitive advantage and become more loyal to the company.<sup>45</sup>

The fourth strategy is to offer a better pricing for the customers who are loyal to your company. The customers will hopefully stay loyal and decide to use more of the available offerings. The final strategy presented by Berry back in 1983 was the internal marketing. Internal marketing aims to attract qualified personnel who will perform superior quality service compared to others. The job is viewed as the product and the employee is the customer.<sup>46</sup>

According to Berry, the five strategies he first presented are still relevant. However, today we know much more about relationship marketing since more research has been done in different industries. The special relationship to the customer is supposed to reduce the risk that sometimes is associated with doing business; therefore customers must want a closer relationship with the company. Relationship marketing is supposed to be viewed as a philosophy and not a strategy. It should be a way to think about customers that in the end drives the marketing competencies of the company.<sup>47</sup>

Evert Gummesson debates about the total relationship marketing, which he describes as marketing that is based on networks, relationships and interactions. The concept should be viewed as a win-win situation with the customers and the value is created by both of the involved parties. Total relationship marketing should not only be viewed as the relationship between the supplier and the customer, but involves middlemen as well as the supplier's own supplier.<sup>48</sup>

Much of the theory of total relationship marketing derives from the network theory of business-to-business marketing. In the network theory, a company can be compared to a node in large number of interactions on the market, which all make up for the market relationships.<sup>49</sup>

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<sup>44</sup> Berry, 11

<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

<sup>47</sup> Ibid.

<sup>48</sup> Evert Gummesson. "Relationship Marketing in the New Economy". *Journal of Relationship Marketing*, 1 (2002): 37-57.

<sup>49</sup> Ibid.

## Theoretical framework

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According to the relationship marketing each customer should be treated as an individual. This has earlier been viewed as too costly and the focus for most companies has been traditional mass marketing which they have felt to be cost effective. The relationship marketing is supposed to payoff since less marketing efforts are needed when fewer customers drop out, and at the same time the share of wallet increases.<sup>50</sup>

### 2.3 Differences between B2B and B2C marketing

The major differences between consumer markets and business markets are that the latter consists of fewer but larger buyers. These markets are also characterised of closer supplier-customer relationships and the products are often customized to specific needs since the buying power of the customer has such huge impact.<sup>51</sup> The business markets are also characterized by longer and closer relationships between the buyer and the seller.<sup>52</sup>

The complexity of industrial products, in B2B markets, often demands qualified experts on both sides in the process of purchasing. It also tends to require individual solutions to their customers with a high level of fine-tuning.<sup>53</sup> When operating on a business market the marketer will meet a more well-trained and -informed buyer than on a consumer market. The buyers are more skilled in evaluating competing offerings and therefore make it more difficult for the selling company. The seller must prove how their product will benefit the buyer and the reputation of the company plays a vital role.<sup>54</sup>

In order to understand marketing the marketer needs to be able to identify the needs, wants, and demands of the customer. The needs are the fundamental requirements, wants are needs that are aimed at a specific object, and demands are wants when a customer has the ability to pay. Companies' tries to satisfy the needs of their customers by offering a value proposition, the brand of the selling company is part of the offering and assures the buyer that the offering comes from a known source. The brand holds many associations in the mind of the customer and all companies should try to develop a brand image that is strong, favourable, and unique.<sup>55</sup>

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<sup>50</sup> Gummesson, 12

<sup>51</sup> Philip Kotler. and Kevin, L. Keller. *Marketing Management* (13th ed.). Upper Saddle River: Pearson Education, 2008.

<sup>52</sup> Philip Kotler. and Waldemar, Phoertsch. *B2B Brand Management*, Berlin: Springer, 2006.

<sup>53</sup> Ibid.

<sup>54</sup> Kotler, *Marketing Management*, 13

<sup>55</sup> Ibid.

## Theoretical framework

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The marketer uses three different marketing channels when targeting their customers. These channels are made of communication channels, distribution channels, and service channels. The communication channels are different ways to reach the customer by using newspapers, radio, mail, television, Internet and so forth in order to gain and deliver information to their target market. The distribution channels are used to sell, display or deliver the product or service to the buyer. And the service channels are set up to make the transactions with the buyer, such as transportation, insurance or banks. To make the offer as attractive as possible the marketer should carefully choose how they set up their marketing channels for their specific offering.<sup>56</sup>

Marketers of business products are usually dealing with professional purchasers who need to follow special requirements from their company. Hence it is more important to provide extensive technical data and display the benefits compared to competing brands. The effort put in by the marketer is greater than in traditional consumer markets but in return the volume of the sales are much greater.<sup>57</sup> Direct selling approaches, face to face, are usually used when the number of sales is low and the profit for each sale is high.<sup>58</sup> This makes the individuals in a relationship to play an important role in a marketing relationship; they may develop bonds of trust and familiarity on a personal level.<sup>59</sup>

There is an increase in the demand of highly technological products and there are three major reasons for this. First of all there is an economic and industrial growth in developing markets. Secondly these and other markets are getting more liberal and thirdly more government controlled companies are getting privatised.<sup>60</sup> The increase of highly technical products in developing countries leads to a demand for after sales service since those countries usually lacks the personnel that can fix these kinds of problems. These services are becoming a part of the marketing strategy for a company that sell on the industrial market.<sup>61</sup>

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<sup>56</sup> Kotler, *Marketing Management*, 13

<sup>57</sup> Ibid.

<sup>58</sup> Gopalkrishnan R. Iyer. A, Sharma and H, Evanschitzky “Global Marketing of Industrial Products: Are Interpersonal Relationships Always Critical?”. *Industrial Marketing Management*, 35 (2006): 611-620.

<sup>59</sup> Sue Bridgewater. and Colin, Egan. *International Marketing Relationships*. Basingstoke: Palgrave, 2002.

<sup>60</sup> Ghauri, 7

<sup>61</sup> Ibid.

## Theoretical framework

### 2.4 Business market purchase process

Kotler & Keller has defined three types of buying situations in business markets. The different situations depends on the complexity of the problem, the newness of the buying requirement, the number of people involved and the time required for the purchase.<sup>62</sup>

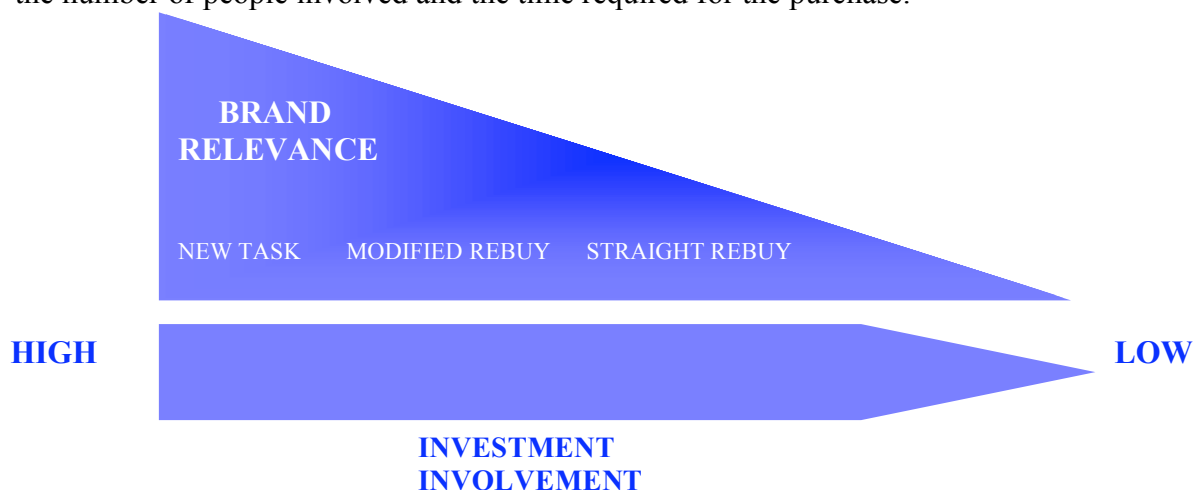


Figure 3; *Brand relevance in relation to the buying situation*, P.Kotler, W.Pfoertsch, B2B Brand management, 2006, p.50

The first situation is called *straight rebuy*. This situation requires the least amount of effort from both parties. Straight rebuy occurs when a simply reorder of products is made on routine basis.<sup>63</sup>

The second defined situation is the *modified rebuy*. Little is changed from the usual order but the buyer wants to make small adjustments in the product specification, delivery requirements or other changes. In these situations participants from both parties are usually involved in the process.<sup>64</sup>

The last situation is called *new task* and demands large involvement from both the selling and the buying company. This is the first time a product or service is bought and it contains a higher degree of risks and needs to be examined more carefully. This situation takes the greatest amount of time to conclude.<sup>65</sup>

Business markets are experiencing an increased demand of so called system buying. System buying is a total solution to the problem of the customer. System buying is also a form of marketing strategy were the seller tries to distinguish themselves from their competitors. The marketer tries to get involved early in the stage so they can influence the specifications and requirements of the buyer.<sup>66</sup>

<sup>62</sup> Kotler, *Marketing Management*, 13

<sup>63</sup> Ibid.

<sup>64</sup> Ibid.

<sup>65</sup> Ibid.

<sup>66</sup> Ibid.

## Theoretical framework

The buying situations for B2B companies are to some extent more complex than in a B2C situation. Since the B2B businesses usually have fewer customers the complexity of the purchase increases and it usually involves several departments. This because to ensure that the company gain the most out of the buying situation.<sup>67</sup> Kotler and Pfoertsch have continued to build on the buying decision model originally proposed by Robinson et al. in 1967. Because of the complexity of the buying situation in B2B markets it is necessary to break it down into several stages.<sup>68</sup>



Figure 4; *B2B Purchase decision making process*, Kotler P, Pfoertsch W, B2B brand management, 2006, p.29

The first stage is called *problem recognition* and it takes place when a need is identified within the company. The recognition can happen whether it's a straight rebuy situation or a more complex new task. In the second stage a *general need description* is outlined. This decides a timeframe and an estimation of quantity. The third stage is the *product specification* where the buyer clarifies payment terms, after-sales service needs and a detailed specification of the product or service. In the fourth stage the *search for a potential supplier* takes place and is then evaluated by the buyer. *Proposal solicitation and analysis* takes place in the fifth stage, and the buyer obtain offers from potential suppliers and decides on what criteria's the decision will be based on. The sixth stage involves the *supplier evaluation and selection*. The buyer must weigh pros and cons with each of the suppliers and then decide on the most suitable. In stage seven the *order routine* is specified and this can vary greatly depending on how the production is organized. In the final stage the buyer must *evaluate the performance* of the supplier and that marks the end of the buying process.<sup>69</sup>

An assumption made by researchers is that a purchase decision in a B2B organisation is far more complex and time consuming process than a consumers purchase in a B2C perspective. Though it may not be that rational process after all, other aspects need to be included such as brand awareness known by the purchase unit etc. Besides many purchasers don't have the time or resources to make all the researches' about suitable options.<sup>70</sup>

<sup>67</sup> Kotler, *B2B Brand Management*, 13

<sup>68</sup> Ibid.

<sup>69</sup> Ibid.

<sup>70</sup> Niklas Persson. *Tracing the Drivers of B2B Brand Strength and Value* (Akademisk avhandling; doktorsexamen). Lund: Lund Business press, 2010.

## Theoretical framework

Brands can function as a short-cut to decide what product/brand the customer choose, it saves time and shows how a brand with strong and positive reputation can make a strong impact without even try to convince the buyer.<sup>71</sup> This is becoming more evident due to the fact that society is surrounded with the availability of information that makes it possible for companies to make comparisons between competing alternatives.<sup>72</sup>

### 2.5 The value of a brand

*“If coca-cola were to lose all of its production-related assets in a disaster, the company would survive. By contrast, if all consumers were to have a sudden lapse of memory and forget everything related to coca-cola, the company would go out of business”*<sup>73</sup>

One of the main benefits that a strong brand provides is the unique setup that it gives to the customers. A well-known brand gives the company a competitive advantage through the difficulty for others to imitate, for example by its social and historical complexity. This is especially true in a B2B market where products have a tendency to become more alike over time, and one way to differentiate themselves in a long-term perspective are through a strong brand.<sup>74</sup>

A research made by Kotler and Pfoertsch analyzes the importance of brands in a B2B perspective versus a B2C perspective. The conclusion was that the most important functions of a B2B brand was; “increase information efficiency, risk reduction, value added/image benefit creation”, which was not the obvious feature in a B2C perspective.<sup>75</sup>

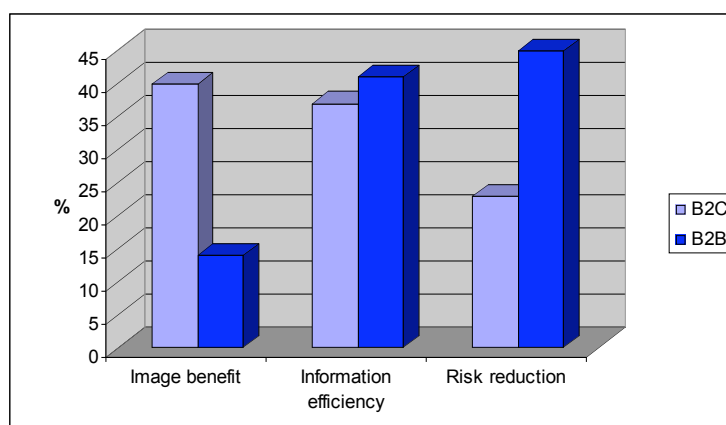


Figure 5; *Importance of brand functions in B2C vs. B2B*, P. Kotler, W. Pfoertsch, B2B Brand management, 2006, p.47

<sup>71</sup> Persson, 17

<sup>72</sup> Ibid.

<sup>73</sup> David A. Aaker. *Managing Brand equity –Capitalizing on the Value of a Brand Name*. USA: The Free press, 1991.

<sup>74</sup> Brandchannel, *How your supply chain can build or destroy your brand*, By: Benson Joseph, Kinsella Bret, Available at: [http://www.brandchannel.com/papers\\_review.asp?sp\\_id=329](http://www.brandchannel.com/papers_review.asp?sp_id=329) (2011-02-09).

<sup>75</sup> Kotler, *B2B Brand Management*, 13

## Theoretical framework



Figure 6;. Micco Grönholm (varumärkesutvecklare, Pyramide communications). Available at: <http://blog.pyramid.se/page/8/> (2011-05-10).

Micco Grönholm debates about the importance of the emotional competition versus the intellectual competition.<sup>76</sup> The emotional competition concerns what the brand does *with* the consumer and is built upon relations and trust. Together with the intellectual part which stands for the functional and performed product, equals the use and benefit of the product and what it does *for* the consumer.

Reaching brand awareness among customers is a basic and fundamental concept for businesses and is what most companies strive towards, to get the customer to recognize their brand. Especially because the wide selection of similar products and the ease that has become to find and compare different brands.



Figure 7; *The awareness pyramid*, D.Aaker, *Managing brand equity*, 1991, p.62

<sup>76</sup> B2B-bloggen, Micco, Grönholm. (varumärkesutvecklare, Pyramide communications), Available at: <http://blog.pyramid.se/page/8/> (2011-05-10).



## Theoretical framework

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Brand awareness could be divided in two subcategories; brand recall and brand recognition.<sup>77</sup> Brand recognition is based on an aided recall assessment, where the respondent are given a set of brands in a product category and are asked to point out the ones he/she have heard of before. The brand recall, on the other hand, is unaided which refers to customer's ability mention brands when being exposed to a product category without examples.<sup>78</sup>

The first brand that is mentioned becomes the so called top-of-mind, which is the final goal for many companies. Being the first brand that comes to mind in a purchase situation can initiate a sale.

It's also important to be aware of what kind of associations the customer has towards the brand, both functional and emotional. When a customer is experiencing positive associations, it becomes added value to the product and hopefully creates a bond of loyalty towards the brand.<sup>79</sup>

### 2.5.1 A brand's image and identity

Another task that the management must deal with, besides building the brand in the minds of the consumers, is how to create a brand image that reflects the brand identity.

The brand identity could be analyzed through six components of the brand identity prism.<sup>80</sup>

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<sup>77</sup> Kevin L. Keller, "Conceptualizing, Measuring and Managing Customer Based Brand Equity". *Journal of Marketing*, 57 (1993): 1-22.

<sup>78</sup> Aaker, 17

<sup>79</sup> Keller, 18

<sup>80</sup> Jean-Noel Kapferer. *The New Strategic Brand Management* (4th ed.). London: Kogan Page, 2010.

## Theoretical framework

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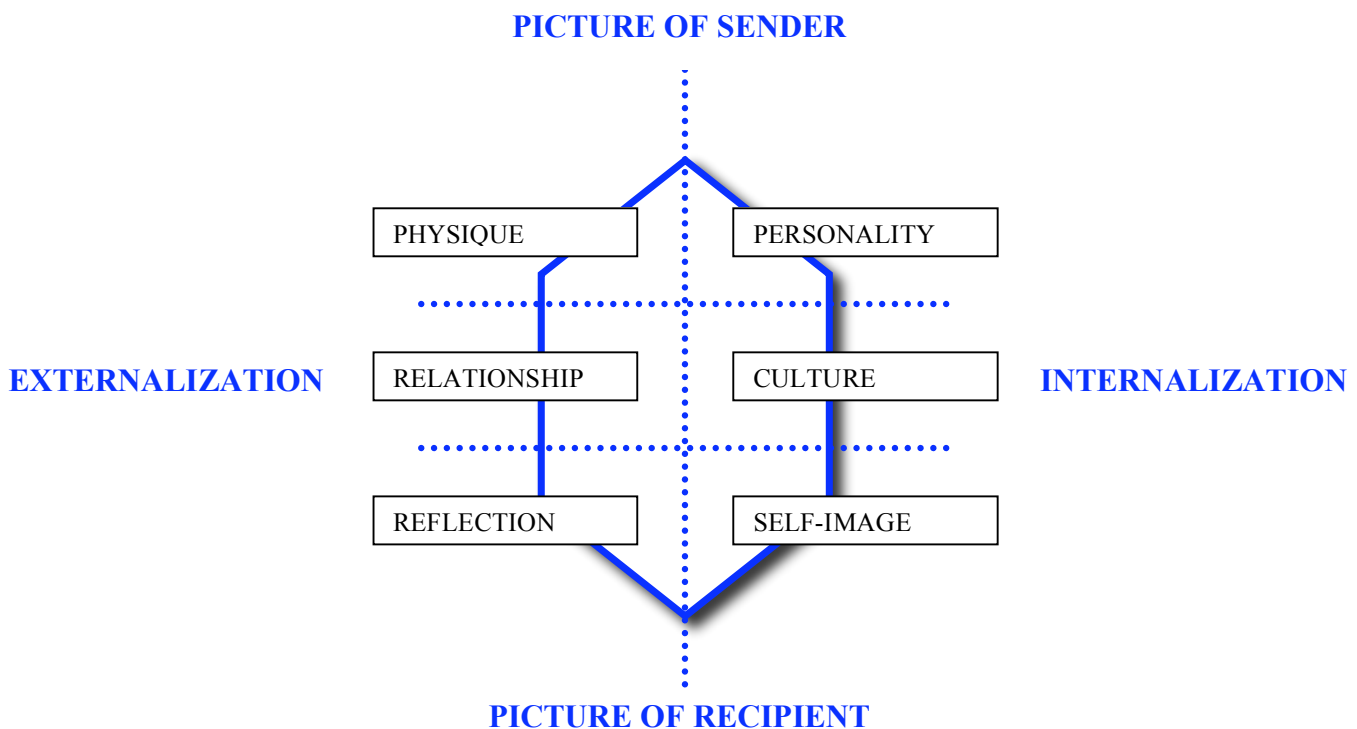


Figure 8; *The Identity Prism*, Kapferer, J.N, *The New Strategic Brand Management*, 2008, p.182

The process of communicating a brand identity creates the brand image. A company summarizes a variety of brand messages aimed towards the customers, e.g. product, advertising, sales force etc.<sup>81</sup> More experiences/exposures aimed at the customer will strengthen the brand.<sup>82</sup> It is also important to keep a consistent and selected message through all of the channels/messages, so they don't interfere and contradict each other.<sup>83</sup>

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<sup>81</sup> Kapferer, 19

<sup>82</sup> Aaker, 17

<sup>83</sup> Kapferer, 19

## Theoretical framework



Figure 9; *The branding triangle*, P.Kotler, W.Pfoertsch, B2B Brand management, 2006, p.55

The branding triangle demonstrates the connections between a company, customers and its collaborators, e.g. agencies, distributors. It's very important to keep a consistent picture of the organisation and the brand throughout all the participants in the triangle. The image of the company mainly comes from external marketing communications, which the company is in control of; few customers make an effort to seek information about the company themselves. This makes the internal marketing communication important as well, for the personnel to represent the company as a united force and to be as effective as possible.<sup>84</sup>

Branding must be very clear and consistent to gain the most value, and in addition, the complex environment also changes over time. It is very important for the management to be aware of this evolution and rather stay ahead than reacting too late.<sup>85</sup>

A brand image is an excellent way to differentiate a product in a “jungle” of products and substitutes. Building a brand image is considered to be one of the most important decisions the management has to make, a conscious choice on how they want the product to be perceived and a distinct product differentiation to reach customers.<sup>86 87</sup> It should, however, be mentioned that brand image and associations may not always reflect the reality, instead represent the perception and interpretations in the minds of the customers. It summarizes a set of facts to assist the customer in the purchase decision.<sup>88</sup>

<sup>84</sup> Kotler, *B2B Brand Management*, 13

<sup>85</sup> Ibid.

<sup>86</sup> Kapferer, 19

<sup>87</sup> Colin L. Campbell, Papania, M, Parent and D, Cyr. “An Exploratory Study Into Brand Alignment in B2B Relationships”. *Industrial Marketing Management*, 39 (2010): 712 – 720.

<sup>88</sup> Aaker, 17

## Theoretical framework

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### 2.5.2 Corporate brand

According to Keller and Aaker there are three different ways for a company to determine a brand name. The first option is to apply the name of the company to all their products. The second option is to create brand names that differ from the corporate name and the third and final way is to compose a hybrid that uses both the name of the company and a different brand name.<sup>89</sup>

Proposed by Balmer a strong corporate brand can have the benefits of an increase in public profile, customer attractiveness, product support, visual recognition, investor confidence, encapsulating organizational values and staff motivation.<sup>90</sup> A company that uses their corporate brand to their products can give source credibility to their new products since that brand already has a known reputation among their current customers.<sup>91</sup>

Most B2B companies deals with a corporate brand, where the organisation itself compose the brand. It has been proven that brands in a B2B context are better suited in a corporate perspective than in a product level.<sup>92,93</sup>

The concept of corporate branding seems to have a beginning in 1995, earlier it was called company brand and had very little emphasis in articles and other literature. The company brand was limited to the organisation and the CEO was responsible for this to evolve. The corporate brand is built on a more complex and broader view; it can include subsidiaries and be applied in more than one country or region.

Balmer mentions challenges of corporate branding that is often ignored by researchers in the field;

- corporate brands are basically different from product brands in terms of disciplinary scope and management
- corporate brands have a multi-stakeholder instead of customer orientation
- traditional marketing framework is inadequate and requires a drastic reappraisal.

The most fundamental difference between product brand and corporate brand is that values of corporate brand tend to be of a holistic view grounded by founders, management and personnel. In products with a corporate brand the employees has an important role, they transmit the brand values and are the company's connection to the external environment.<sup>94</sup>

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<sup>89</sup> John M. T. Balmer. and E, R, Gray. "Corporate Brands: What are They? What of Them?". *European Journal of Marketing*, 37, (2003): 972-997.

<sup>90</sup> Ibid

<sup>91</sup> Ibid

<sup>92</sup> Persson, 17

<sup>93</sup> Michael Beverland. J, Napoli. and A, Lindgreen. "Industrial Global Brand Leadership: A Capabilities View". *Industrial Marketing Management*, 36, (2007): 1082-1093.

<sup>94</sup> Balmer, 21

## Theoretical framework

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Kotler and Pfoertsch puts emphasis on the holistic approach; where every step and activity in an organization matters and functions as interdependent. It is considered to be a strong alignment of all marketing activities and they all aim at the same goal. This is one benefit of corporate branding, that it is an overall strategy.<sup>95</sup>

### 2.6 Corporate Reputation

The reputation of a company has a direct effect on trust and identification from the customer. Trust in a company relates positive to purchase intentions and has some effect on the willingness to pay a premium price. Customer identification with a company, on the other hand, has a strong correlation with purchase intention and willingness to pay a premium price.<sup>96</sup> In addition the research also showed that customer trust, commitment and identification all had a positive correlation with purchase intention and willingness to pay a premium price.<sup>97</sup>

A company should try to build up their trust and identification among customers in order to gain customer commitment. The customer will think that it is an honest company who take both sides in consideration when conducting business. Industrial firms have a higher degree of relationship marketing so their reputation is crucial for them. They must manage their relational resources in order to retain the reputation.<sup>98</sup>

Closer company–customer relationship has proven to have the benefit of the potential to charge a premium price. A close bond between the customer and the company has a higher effect on price premium than customer trust.<sup>99</sup>

Greyser points out three major benefits by having a good corporate reputation. The first one is that customers' favour doing business with a company that has equally good quality and the same pricing strategy on all their products. The second benefit is that there is a more widespread support for the company in times of controversy. The third and final benefit for a company with a favourable reputation is that they have a higher value in a financial marketplace.<sup>100</sup>

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<sup>95</sup> Kotler, *B2B Brand Management*, 13

<sup>96</sup> Tat Hean Keh. and Y, Xie “Corporate Reputation and Customer Behavioral Intentions: The Roles of Trust, Identification and Commitment”. *Industrial Marketing Management*, 38 (2009): 732–742.

<sup>97</sup> Ibid.

<sup>98</sup> Ibid.

<sup>99</sup> Ibid.

<sup>100</sup> Balmer J, 21

## Theoretical framework

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The reputation of a company is likely to influence the buying process of the customer. Since many companies operating on the business market where a corporate brand is being used for their products, it is common that the reputation of the company has an impact on several products categories. While brand image is usually associated with one product category, the company reputation is more broadly defined and should be handled differently since it has a stronger impact.<sup>101</sup>

In businesses with higher level of services, corporate reputation can be expected to become more important. Since the service component is a large part of many business markets the reputation of the seller is an important influence. This is also true when the product has a higher technical level.<sup>102</sup>

Company reputation has shown to support a broader influence on the customers such as customer value and loyalty, while brand image has a narrower affect such as the perception of quality.<sup>103</sup>

Trust, commitment, and satisfaction are all components of relationship quality. Relationship quality is negatively related to physical distance; hence companies must carefully monitor their customers in foreign markets. It is also found that investments specifically made to distributors on international markets are positively related to the quality of the relationship as well as the length of the relationship.<sup>104</sup>

In order to develop a high quality relationship across borders, the importing firm should try to identify exporting firms that are willing and have the ability to invest in relationship resources to create a high quality relationship across the borders.<sup>105</sup> Exporting firms, on the other hand, should invest in their distributors on foreign markets to create relationship quality.<sup>106</sup>

Interpersonal relationship strategies are regarded as vital to business growth. The relationship helps to create trust among the buying firm which could lead to more frequent purchases, an increase in customer loyalty that leads to higher sales and profitability.<sup>107</sup>

Ford et al. has developed a model that describes different relationships in distribution between the user and the distributor. The model is a simple matrix made up of the level of relationship involvement and the complexity of distribution solution. They identify four different types of relationships depending on the level of involvement.<sup>108</sup>

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<sup>101</sup> Cretu E. Anca. and B, J, Roderick. "The Influence of Brand Image and Company Reputation where Manufacturers Market to Small Firms: A Customer Value Perspective". *Industrial Marketing Management*, 36 (2007): 230 – 240.

<sup>102</sup> Anca, 23

<sup>103</sup> Ibid.

<sup>104</sup> Dionysis C. S. Skarmas. Katsikeas, S, Spyropoulou and E, Salehi-Sangari. "Market and Supplier Characteristics Driving Distributor Relationship Quality in International Marketing Channels of Industrial Products". *Industrial Marketing Management*, 37 (2008): 23-36.

<sup>105</sup> Ibid.

<sup>106</sup> Ibid.

<sup>107</sup> Iyer, 14

<sup>108</sup> Ford, 3

## Theoretical framework

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<b>COMPLEXITY OF DISTRIBUTION SOLUTION</b>	HIGH	<b>3</b>	<b>4</b>
	LOW	<b>1</b>	<b>2</b>
		LOW	HIGH
		<b>RELATIONSHIP INVOLVEMENT</b>	

Figure 10; *Four types of distribution relationships*, Ford et al, Managing business relationships, 2003, p.128

The first level has a low level of relationship involvement as well as a low level of complexity of the distribution system. This is a low cost distribution arrangement and is most suitable for users that would not gain advantages from a more advanced solution. This gives the end user the opportunity to switch distributor and they benefit from a standardised solution.<sup>109</sup>

In the second cell the complexity of the distribution solution is still low but the relationship involvement is high. This is a typical scenario when a user reduces the number of distributors and creates a higher involvement with the ones remaining. The user might appoint a distributor to handle all the products they need within a special product category.<sup>110</sup>

In the third cell the relationship involvement is once again low but the complexity of the distribution solution is now high. The services provided by the distributor are advanced and is therefore costly, but in return the buyer get improvements in their own operations. The distributor does not adapt their arrangement at this level, instead they offer a solution and it is up to the user if they want to use it or not. The reason for doing this is that the cost is less than the perceived benefit.<sup>111</sup>

The complexity of the distribution solution and the relationship involvement are high in the fourth cell. The distribution solution is complex along with considerable adaptations made to the relationship. This form of relationship is common in just-in-time deliveries of products. With this level of integration there is a need for high level of communication and large investments from both sides.<sup>112</sup>

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<sup>109</sup> Ford, 3

<sup>110</sup> Ibid.

<sup>111</sup> Ibid.

<sup>112</sup> Ibid.

### 3. Methodology

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*The purpose of a methodology chapter is due the replication and evaluation. It should be possible for others to conduct the exact same research as ours under equal conditions, be able to evaluate the empirical approach and to increase validity of the findings.<sup>113</sup>*

*We have used both primary and secondary data to gain a deeper understanding in our subject.*

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#### 3.1 Secondary data

To research our case company we have collected data from Getinges annual report 2009 and other brochures made by Getinge. To gather facts about Turkey we have used the Turkish Statistical Institute among other sources.

#### 3.2 Primary data

The research of our thesis is founded upon one single company Getinge Infection Control and their Turkish distributor MAK. The intention of our case study has been to investigate two perspectives of the supply chain, from the manufacturer point of view as well as the distributor who has the final contact with the buyer.<sup>114</sup> To gain a general insight of the relationship between a global manufacturer and a local distributor, an exploratory research was conducted.<sup>115</sup>

We have conducted qualitative interviews to get a deeper understanding of the relationship between a global manufacturer and a local distributor with respect to their knowledge exchange, personal attachment, contracts etc. In addition to this we have conducted a quantitative market research to get an overall knowledge of the market potential and Getinge's position in this emerging market. We have then merged the two tests and tried to put the qualitative study in a market perspective.

##### 3.2.1 Quantitative

###### 3.2.1.1 Data collection

In our survey, which was conducted in a quantitative method approach, the target group was the case company Getinge Infection Control's final customers; hospitals in Turkey. Before our study, Getinge had no idea how well they were known in the country or which perceptions the customers had towards the company. No market research has been made on the Turkish market before by Getinge and this survey will help to plan their marketing activities in the future. The aim is to examine the market both geographically widespread as well as a dispersed selection between small and large hospitals in order to gain market information from the total market perception of Getinge and their competitors.

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<sup>113</sup> Jarl Backman. *Rapporter och Uppsatser*. Lund: Studentlitteratur, 2008

<sup>114</sup> Ibid.

<sup>115</sup> Kumar, 2



## Methodology

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Today there is approximately 1250 hospital in Turkey. Our expectation has been to implement the survey with 120 of them. We conducted 10-12 interviews in each of the four biggest cities of Turkey: Istanbul, Ankara, Izmir, and Bursa, since the majority of the university hospitals are situated in these cities and because the number of hospitals is higher. In addition to this 10-12 interviews have been made in each of the seven different regions of Turkey in order to gather information from hospitals spread all over the country. Extra focus was put in the four major cities since both Getinge and their competitors on the global market have shown to have higher presence in larger hospitals with higher technology standard. We choose to conduct our research by interviewing 10% of the total population. We believed that this amount of interviews were representative for the total population and validated our findings since the hospital market in Turkey seemed to be fairly homogenous. Because of our decision to conduct the surveys by telephone, we did not get a high amount of non-responses.

Because of the time and cost limitations we were offered to hire a telemarketing company to execute the interviews for our survey. Together with the distributor MAK in Turkey, who had the final responsibility to find the best suited company to implement this due to their local knowledge, we found a suitable telemarketing company called Research Method Company (for more information see Appendix I). Using an external telemarketing company is probably the best way for most companies, depending on the size of the research and the level of involvement. We believed it was better to rely on a foreign-based agency to do the marketing research because of their cultural and language knowledge. They carried out the research by using their own facilities in Istanbul, Turkey.

The telemarketing company identically repeated our survey to each respondent, and the interviewer used the custom-made software program to fill in the answers. Using a Turkish telemarketing company gave an advantage since the telephone interviews were made in their native language, which were perhaps the only known language by the majority of the employees at the sterile centrals.

To minimize the errors that could occur we wrote an appendix with instructions to the telemarketing company (see appendix II). We wanted to reduce the risk that the interviewee spoke in favour of any brand or not to confuse them with a mix up between the manufacturer and the distributor. We expected each interview to take approximately 10-15 minutes to answer, which we thought was a reasonable amount of time in order not to wear out the interviewee.

## Methodology

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Five trial interviews were carried out by MAK to get responses and a evaluation of the survey. Trial-testing were necessary to ensure that our survey met the expectations we wanted to obtain and made sure that the cost by using a telemarketing company would be of great use.<sup>116</sup> To identify possible errors, we asked John Hansson (marketing director of Getinge) and Vecihe Özek (sales manager at MAK) to look over the results from the trials. They aimed to find errors that could have a negative effect on our study. The changes we made were to reduce the number of questions in question 13 in order not to bore the respondent and risking not getting accurate answers. We also added another Turkish company, Trans, that both John and Vecihe believed should be part of the survey, since they are a local manufacturer with a widespread presence in Turkey. We also made a change in question 17, and did not include industry magazines since such magazines do not exist in Turkey.

### 3.2.1.2 Survey Instrument

The survey consisted of structured interview questions about the values of the brand, perceptions of products etc. The format was through closed-response questions, with some exceptions (question 16), where the respondents were given an amount of labelled categories to reply to.<sup>117</sup> The survey can be found in appendix II. Our purpose was to measure the psychological attitudes towards the brand, where the respondents were asked to rate a number of statements about the different brands.<sup>118</sup>

A demand from Getinge Infection Control (Getinge) was that the questionnaire had to be neutral and anonymous, so they got a clear picture on how they, as well as their competitors, were perceived without surrounding influences. The questions were created with answering alternatives regarding Getinge and four other existing competitors on the market; Bellimed, Steris-Amsco, Eryigit and Trans. The selected competitors were given in a meeting with John Hansson. We choose these companies since Bellimed and Steris-Amsco are competitors on a global level and Eryigit and Trans are the biggest local manufacturers in Turkey.

Attitudes are a mental state perceived by the respondents and are described in three related components we kept in mind. The *cognitive component* represented the individual's information about the product; this included awareness of existence, beliefs about the attributes and the importance of the attributes.<sup>119</sup>

We started of by finding the unaided recall awareness, in other words the respondent were asked to mention brands they associated with sterilisation and infection control equipment (question 7 & 8). Then they were asked which of the brands within the industry they had heard of, so called aided recall awareness (question 9). Another example was in question 15; *What attributes do you find most important when purchasing sterilization equipment? Rank the three most important attributes.*

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<sup>116</sup> Kumar, 2

<sup>117</sup> Ibid

<sup>118</sup> Persson, 17

<sup>119</sup> Kumar, 2

## Methodology

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Another component was *the affective* where the respondent was asked to rank or prefer one brand compared to another. For example question 14; *which of the companies would you prefer to buy Infection Control products from, if the prices were the same?* The *intention component* referred to the customer's intension of future behaviour. Example; question 19; *Next time I buy Infection control/Sterilization products, I will buy from this company.*<sup>120</sup>

The article by Reicheld; "The one number you need"<sup>121</sup>, argues that the one question you need to ask in a survey is; *I would recommend this company/brand to others* (question 18). We included this question since this has shown to be the most trustworthy source of information in previous research regarding infection control.

Nominal scales were used to label categories for example the demographic questions. Some of the questions were answered in an ordinal scale, to rank objects or arrange them in order to a known variable (also referred to a rank-order scale).<sup>122</sup> The Likert scale was used in the major part of the survey; this is probably the most used response scale in market research questionnaires. In this particular survey the respondent were asked to disagree or agree to a variety of statements.<sup>123</sup>

The original scale, which was used, featured five scale points from "Strongly disagree" to "Strongly agree".<sup>124</sup> The literature recommended to not use more than seven points to answer from, and preferable an uneven number to get a neutral point. A 6<sup>th</sup> option was also included, if the respondent had never heard of the company.

Before finalizing the design of the survey we let the telemarketing company review our survey, with their local knowledge and experience we believed that they would find any mistakes we made.

### 3.2.1.3 Data processing/ data analysis

Research Method Company analyzed the collected data, because of their previous experience and the size of the research. A software program was created where the operator could plug in the answers in the computer. An analyst then compiled the statistics into diagram and tables in a report. SPSS was used as their main software to compose these statistics and make the regression analysis.

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<sup>120</sup> Kumar, 2

<sup>121</sup> Fredrick F. Reichheld. "The One Number You Need to Grow". Harvard Business Review, December (2003): 46-54.

<sup>122</sup> Kumar, 2

<sup>123</sup> Ibid.

<sup>124</sup> Intelligent measurement.

Available at: <http://intelligentmeasurement.wordpress.com/2007/11/20/likert-scale-surveys-best-practices/> (2011-03-10).

## Methodology

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For the quantitative study a total of 147 interviews were conducted by the Research Method Company. The answers were divided on demographic variables such as; age, gender, size of hospital, private or public and work experience. The perception of each brand can be separated depending on different response profiles. The answers from the study can then be used to create a descriptive picture from the entire population.

### 3.2.2 Qualitative

#### 3.2.2.1 Data collection

In this part of the study our purpose was to investigate how the relationship is perceived and interpreted by individuals in the area of focus, which gave us a holistic understanding of the relationship. The aim of the interviews was to extract information from the respondents about his or her attitudes, values and opinions about the specific relationship.<sup>125</sup>

We choose to interview the president of Getinge International, John Hansson. He has long experience at Getinge and has been at many different positions in the organization. His previous position, before becoming president, was the marketing manager. His past experience and knowledge made him an ideal respondent to our case study.

To receive the perspective of the other side of the relationship we choose to interview Vecihe Özek at MAK, Getinges distributor in Turkey. She has been working with Getinge for 17 years and we believed that her knowledge was a valuable asset to our research.

These two individual in-depth interviews were made face-to-face to gain a rich and deep data collection. The advantage of qualitative data is that it is based on "ordinary events in natural settings" so that it creates a real life situation. Both of our interviews were made in their own offices, Getinge (Sweden) and Istanbul (Turkey). Our two qualitative interviews were conducted in a semi-structured approach with open-ended questions, see appendix III and IV. We created an interview guide which was structured upon four head questions with following sub questions for full coverage and comparability. The four main areas we wanted to discuss were developed through a mix of the literature we have read; general information, trust, knowledge exchange and formal contract. There were some differences between the interview guides depending on the respondent. We believed that this were essential to make certain adaptations under the four main areas, to get the most out of the interviews.

During a semi-structured interview a set of questions and subjects that needs to be discussed are pre-determined by the researcher which usually is written down in an interview guide. The interview normally follows the order in this guide, but the interviewer can take liberties to ask additional questions or ask them in a different order. The semi-structured qualitative interview is seen as very flexible and focuses on what the interviewee considers important, and lets them bring up questions they feel has significance.<sup>126</sup>

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<sup>125</sup> Alan Bryman. and Emma, Bell. (2003). *Företagsekonomiska forskningsmetoder (B. Nilsson övers.)*. Malmö: Liber ekonomi, 2005.

<sup>126</sup> Ibid.

## Methodology

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During the interview we also asked follow-up questions about information that was unclear and areas of interest that needed to be developed further. We also took into consideration that the questions were not threatening or touched any sensitive information against the companies.

The respondents were contacted by telephone to book a one hour meeting on discussion of manufacturer-distributor relationship. We chose not to send the interview guides to the respondents on beforehand, because not to risk the benefits of the spontaneous reactions and answers.

When we interviewed John Hansson at Getinge we conducted the interview in Swedish since that is both his and our native language. The interview with Vecihe Özek, on the other hand, was conducted in English which is not our native language. This could be considered as a drawback.

When we conducted our research we recorded the interview and at the same time we took notes if there were situations that could be interpreted differently. The recording helped us remember what was said during the interview and in the interpretation of the answers. The analysis could also be conducted more thorough since the researcher can go over the recording several times.<sup>127</sup>

### 3.2.2.2 Data processing/ data analysis

The conducted interviews were recorded and transcribed. Transcription can be made either with all sounds during the interview, or with a smooth somewhat straightforward summary of the conducted interview. We choose to do the latter, where sentences were rephrased during the transcription to become more understandable and easier to analyze.<sup>128</sup>

After the initial transcription, a summary was made over both the interviews. The summary contained all the information that was brought up during the interviews excluded repeated areas and irrelevant information towards our topic. The analysis was founded upon a comparison between the overall answers of the interviews, both similarities and contradictions were taken into consideration. Our focus lies on the understanding of the reality that the interviewees are facing in their every day business. These were further used for the analysis together with collected theoretical framework.

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<sup>127</sup> Bryman, 29

<sup>128</sup> Matthew B. Miles. and Michael, A. Huberman. *Qualitative Data Analysis* (2nd Ed.). Beverly Hills: Sage Publications, 1994.

## Methodology

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### 3.3 Validity and reliability

There are a number of errors that can occur and should be given attention; these will be further examined below.

#### 3.3.1. Secondary data

Secondary data should be examined and interpreted with awareness and skepticism. These researches have been made for another purpose and could be taken out of its context. There are different pitfalls by using secondary data that you should be aware of, for example; official statistics could be too positive and reflecting national/corporate pride rather than be a sign of the reality. This could be applied to both Getinges annual report and Turkey's official data, which both are subjective written to be better perceived.

#### 3.3.2. Primary data

For our research question to be answered adequately we had to collect primary data, which also has its limitations and potential pitfalls.

##### 3.3.2.1 Quantitative

In a quantitative research design errors can occur, also called researcher-induced errors. For example a population specification error occurs when the selected sample is not representative of the population. In our case this would be if we didn't select the correct dispersed sample of hospitals.<sup>129</sup>

Administration errors are caused by the person who addresses the questions to the respondents, for example if he/she doesn't word the question or follow our instructions exactly as we planned or designed it. Also if he/she interpretive the answer inaccurately. The Turkish company Research Method Company has an extensive control system for these kinds of errors. Before every new survey the operators are gathered to have a brief introduction to the research and the involved company and market. The operators are monitored about 40% of the time through different types of control systems. This is made through live observations, when an analyst is monitoring the conversations without the knowledge of the operator. The analyst tries to find out if the operator is talking in a steady paste or if they in any way try to influence the respondent. Another observation is made after each day, where an analyst goes through a number of recorded interviews made during the day.

This aims to find the same errors as in the previous tests. The third check is a spot test where the analyst just check if the operator is conducting an interview or not at the time. This information is gathered and presented in the end of the month to each of the operators in order to make them perform better.

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<sup>129</sup> Kumar, 2

## Methodology

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The respondents could also cause errors, e.g. his/hers ability to recognize and understand the product, willingness to respond etc.<sup>130</sup> It could happen that the respondent provides inaccurate answers; this could be intentionally or unintentionally. The respondent could be embarrassed over his unskillfulness, boredom, misinterpretation etc.<sup>131</sup> This could be prevented through the anonymous telephone interviews that hopefully minimize this risk of the respondent to answer the questions unfairly.

### 3.3.2.2 Qualitative

Because of our choice to focus on one single case company, it's difficult to generalize to a broader extent. Our purpose, in contrast to this problem, could instead give e more detailed understanding that is more difficult to reach when additional companies are involved. Of course the ultimate goal would be to reach both generalization as well as a deeper understanding, but due to the time limitation some trade-off are needed. The fact that the number of participants is much lower and can not generalize the results to people of different companies and environments.<sup>132</sup>

The respondent's interpretations could affect the validity of the answers; they could interpret or skew the question to benefit themselves. There is also a sensitivity issue; the respondents may avoid certain questions. It may be difficult to recreate a qualitative research since the interview is semi structured and the interviewer is free to ask follow up questions and can make different guidelines for different respondents.<sup>133</sup> We have tried to minimize this through interview guides with 4 main areas, to ensure that we cover the subject.

The two qualitative interviews were made in Swedish and English. The one we made in Istanbul (Turkey), was made in English which are none of the parties native language. This could be seen as a limitation that could have been eliminated, especially if Vecihe Özek could have made her answer in her native language. By recording the interviews our belief is that we reduced the risk of any misunderstandings or misinterpretations that could occur, and it also gives the opportunity for us to be focused on the interview at the time.

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<sup>130</sup> Ghauri, 7

<sup>131</sup> Kumar, 2

<sup>132</sup> Bryman, 29

<sup>133</sup> Ibid.



## 4. Empirical research

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*This chapter starts of by introducing our case company and the industrial environment which they operate in. Thenceforth we continue with a conclusion of our interviews from both parts of the relationship.*

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### 4.1. Discovering our case study

Getinge AB is a global industrial company with many distributors in foreign markets; in other countries they have established their own sales offices. We have been involved with one of the markets where huge potential seems to be a fact, Turkey and its distributor MAK.

#### 4.1.1 Getinge AB

*“Think globally, act locally”<sup>134</sup>*

Getinge AB is a world-leading company of products and systems that improves quality and cost efficiency in the healthcare and science sector. They are listed on the stock exchange since 1993<sup>135</sup> with a reported turnover of 23 000 m SEK and employ 12 100 people (2009).<sup>136</sup> The turnover has increase with 92% since 2005.<sup>137</sup>

The underlying need of qualified healthcare and geriatric care is constantly growing because of the demographic change. The society has a growing number of older citizens that are in need of care. New innovative methods of treatment also demand new equipment. Thus the healthcare section is restricted by the economic resources, and tries to be more efficient by finding replacement systems for example.<sup>138</sup>

Getinge is situated in a suburb of Halmstad, since the start in 1904. Olander Larson came to Getinge (the suburb) with a great entrepreneurial spirit and started many projects to earn money, e.g. selling horseshoes, large scale catering equipment etc.

It was not until Electrolux bought the company in 1964 the shift was made towards healthcare products. Getinge was then a relative small part of Electrolux and when the company had a rough time gaining profit they decided to sell the company.

The new owners, Rune Andersson and Carl Bennet, were presented on the 27<sup>th</sup> of September 1989. In 1993 the company was introduced on the Nasdaq OMX Stockholm AB.<sup>139</sup>

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<sup>134</sup> Getinge Solutions, Central sterile processing/CSSD & point-of-use sterile processing/TSSU -brochure

<sup>135</sup> Getinge Group, “Getinges Historia”.

Available at:

<http://www.getinge.com/sectionPage.aspx?m1=115028465220&m2=115029974914&wsectionID=115029974914&languageID=5> (2011-03-04).

<sup>136</sup> Getinge Group, ”Välkommen till Getinge”.

Available at:

<http://www.getinge.com/getingeStart.aspx?m1=115028240976&wsectionID=115028240976&languageID=5> (2011-03-04).

<sup>137</sup> Getinge Group, Getinge AB, Årsredovisning 2009.

<sup>138</sup> Ibid.

<sup>139</sup> Ibid.



## Empirical research

Until the late 90's Getinge were focused on infection control, but then started to acquire companies within other business areas. For example Arjo, MDT Castle, Maquet etc.

The company continued to develop<sup>140</sup> and is today placed 51<sup>st</sup> on the biggest companies in the Nordic region (based on profit).<sup>141</sup>

Getinge group is divided into three business areas/brands today; ArjoHuntleigh, Getinge and Maquet. These are independent companies and have a limited cooperation between them. Since 2009 the company have made an effort to strengthen the mutual graphical profile, and the appearance is currently clear that the business areas are included under the same corporate group. An example on how to notice this is for example the emphasis on the slogan “always with you”, Getinge group under the different trademarks, colours and layout.<sup>142 143</sup>



### ARJOHUNTLEIGH

Extended care – Ergonomic solutions for patients mobility and wound care. E.g. medical beds, patient handling.

### GETINGE

Infection control – Solutions for infection control within healthcare, and contamination preventing businesses. E.g. disinfection, sterilization (autoclaves).

### MAQUET

Medical systems - Solutions and products to surgery and intensive care. E.g. surgical workplaces, cardiovascular and critical care.

Figure 11; Årsredovisning 2009

<sup>140</sup> Anders Person. *Getinge 1904-2004 – de första hundra åren*. Stockholm: Almqvist & Wiksell, 2004.

<sup>141</sup> Largest Companies, ”Topplista: De största företagen i Norden efter omsättning(exkl. Nationella dotterbolag)”.

Available at:

[http://www.largestcompanies.se/default\\$/lev2-TopList/lev2Desc-](http://www.largestcompanies.se/default$/lev2-TopList/lev2Desc-)

[De\\_st%F6rsta\\_f%F6retagen\\_%28oms%E4ttning%29/AdPageId-102/list-2/cc-SE/](http://www.largestcompanies.se/default$/lev2-TopList/lev2Desc-De_st%F6rsta_f%F6retagen_%28oms%E4ttning%29/AdPageId-102/list-2/cc-SE/) (2011-03-04).

<sup>142</sup> Getinge Group, Getinge AB, Årsredovisning 2009.

<sup>143</sup> Getinge Group, Visual profile, Brochure/ Booklet by Getinge.

## Empirical research

### 4.1.2 Getinge Infection Control

The following presentation of Getinge AB is going to focus only on Getinge Infection Control (Getinge), this because of our connection and collaboration with the business area.

<b>GETINGE KONCERNEN:</b>	
Employees:	12 100 (all over the world)
Net sales:	23000 m SEK
<b>GETINGE INFECTION CONTROL:</b>	
Employees:	2900 (all over the world)
Salesentities:	31
Distributors:	65
Head office:	Getinge, Sweden
Net sales:	5 100 m SEK
Founded in year:	1904
Production entities:	12 facilities. Sterilization equipment is produced in Getinge, Skärhamn (Sweden) and Lynge (Denmark). Autoclaves are assembled in Getinge or at local assemble facilities in China, Germany, United Kingdom or USA. Disinfection equipment for healthcare is produced in Växjö, Sweden. For science sector Toulouse, France. These also have assembled facilities in Germany and USA.

Figure 12; Facts for 2009<sup>144</sup>

Getinge Infection control has sterilization equipment installed in more than 100 countries, and is therefore the world's largest exporter on the market. Their customer segments are hospitals, care centres, drug industry and laboratories. Getinge Infection controls production entities are strategically placed around the world to be close to customers; this in addition to good support system they also have developed extended sales divisions for the best customer satisfaction.<sup>145</sup> Getinge Infection control has a number of distributors that are mediating Getinge's products and brand for the customers, which emphasize on the importance of long-term relationships where trust is the key to success.<sup>146</sup>

<sup>144</sup> Getinge Group, "Fakta och Siffror för räkenskapsåret 2009".

Available at:

<http://www.getinge.com/sectionPage.aspx?m1=115028465220&m2=115028795387&wsectionID=115028795387&languageID=5> (2011-03-03).

<sup>145</sup> Getinge Group, "Health Care".

Available at:

<http://www.getinge.com/sectionPage.aspx?m1=115028465220&m2=115028952225&m3=115029847971&wsectionID=115029847971&divisionID=-99&languageID=5> (2011-03-03)

<sup>146</sup> Getinge Group, Getinge AB, Årsredovisning 2009.

## Empirical research

The goals are to help their customer to offer better healthcare to a lower cost. By this they have visualized through three keywords;

- Insight –deliver knowledge to the customer through best practise
- Integrated solutions
  - traceability
  - service and support
  - consumables
  - architectural planning
  - equipment
  - education<sup>147</sup>



- Customer satisfaction –the most important keyword.

The prioritized strategic areas are, among others, to make the supply chain more efficient to become even more competitive on the market. Getinge has also the ambition to strengthen the presence in new geographic areas with emerging opportunities.<sup>148</sup> For example by acquire collaborate distributors to become their own sales office to take it one step further.<sup>149</sup> Getinge makes custom-tailored solutions, which means that the customer is in the process from planning, education, traceability to support.

### 4.1.2.1 The competition in the sterilization/disinfection industry

According to John Hansson (president Getinge International) Getinge Infection is the overall market leader in their business, with a few geographical exceptions. There are a relative few companies that can compare themselves to the size of Getinge. The American company Steris is their main competitor, which has the biggest market share in US. Bellimed is a middle sized company based in Switzerland, but due to Europe as their target market they are also a major competitor to Getinge.

In contrast there are the local manufacturers who are relative small, but are flexible and are taking gradually market share with their lower prices. Eryigit and Trans are an example of this in Turkey and has among other local manufacturers 70% of the Turkish market. This is very common, according John, for emerging markets to have big share of local manufacturers with lower quality. Because of the similar products that are offered, the services and quick responses are becoming the only way to differentiate themselves in the future.

<sup>147</sup> Getinge Group, ”Getinge Infection Controls Varumärkesvärderingar”.

Available at:

<http://www.getinge.com/sectionPage.aspx?m1=115028465220&m2=115028775372&wsectionID=115028775372&languageID=5> (2011-03-03).

<sup>148</sup> Getinge Group, Getinge AB, Årsredovisning 2009.

<sup>149</sup> Ibid.

## Empirical research

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### 4.1.3 Turkey

Turkey has about 73 million inhabitants, (2009)<sup>150</sup> the 17th most populated country in the world. The Turkish GDP is also the 17th largest and is growing with about 7% per year.<sup>151</sup>

Turkey is currently applying for membership to the European Union and has been doing so since 2004, but it is said that they will not become members until 2014<sup>152</sup> If Turkey become members of the European Union this would open up large potential for countries who are already members of the union. Turkey has about 1250 hospitals with the larger ones located in the major cities of Istanbul, Ankara, Izmir and Bursa. These cities accounts for about 33% of the total population and a total of 75% of the population lives in urban areas.<sup>153</sup>

The health care system in Turkey is mostly based on government operated hospitals and all the activity is managed by the Ministry of Health. It is stated in the Turkish constitution that: "Every individual is entitled to social security. The State takes the necessary measures to create this confidence and organizes the organization", which is why the government operates and supervises the hospitals in Turkey.<sup>154</sup>

#### 4.1.3.1 Getinge in Turkey

Getinge has been operating on the Turkish market for about 19 years and they are currently using a distributor called MAK. The Turkish market for autoclaves and washing machines is made up of both international and local companies. The local manufacturers make up for about 70% of the market and have most of their business in the rural areas of the country. The bigger international manufacturers have most of their business in the larger cities with bigger hospitals. Getinge market share is about 25% of the 30% that the international companies control. Getinge does not know if their brand is known on the Turkish market and we will therefore conduct a research about Getinge and their major competitors on the Turkish market.

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<sup>150</sup> Turkish statistical institute, Press release Number 15, January 25, 2010, "Adress based population registration system population census results, 2009".

Available at: <http://www.turkstat.gov.tr/PreHaberBultenleri.do?id=6178>, (2011-02-24).

<sup>151</sup> The World FactBook, "Turkey".

Available at: <https://www.cia.gov/library/publications/the-world-factbook/geos/tu.html> (2011-02-24).

<sup>152</sup> EU-Upplysningen, "Kandidatlandet Turkiet".

Available at: <http://www.eu-upplysningen.se/Medlemskap-och-historik/Om-medlemslanderna/Att-bli-medlem-i-EU/Kandidatlandet-Turkiet/>, (2011-03-08).

<sup>153</sup> Turkish statistical institute, Press release Number 15, January 25, 2010, "Adress based population registration system population census results, 2009".

Available at: <http://www.turkstat.gov.tr/PreHaberBultenleri.do?id=6178>, (2011-02-24).

<sup>154</sup> Health Care in Turkey.

Available at: <http://www.allaboutturkey.com/health.htm>, (2011-02-24).

#### **4.2 Interview with John Hansson, President Getinge International**

In order to gain access on how Getinge manage their relationship with distributors on foreign markets, we conducted a semi structured interview with the President of Getinge International John Hansson. Hansson has worked at Getinge for about 20 years at various positions through the years and has gained an excessive insight of how to manage the relationship with distributors. He also takes part in the decisions of which countries to enter and when the time is right to acquire a distributor and convert it into a sales office owned by Getinge.

Getinge has a vision that the customer should not notice any differences between making a deal directly with Getinge or if they buy through a distributor. To make the experience as similar as possible, the distributors take part of a mandatory education about what the brand of Getinge stands for. This education is the same as all employees at Getinge goes through. To further develop the knowledge among the distributors they take part of annual seminars just like the company owned sales offices. Another similarity, between the distributor and their own sales company, is the marketing material and webpage's appearance.

John Hansson admits that it is more difficult to make a distributor to make the same effort as a sales office does since they are less profitable. The distributors also have a difficult time offering the same amount of training to their customers because the lack of time and knowledge. However, they are doing a great job and many of them has worked closely to Getinge for as much as 25-30 years says John Hansson.

Getinge is operating in about 30 own sales offices and the number of distributors is around 60 all over the world. However the sales volume is closely to 80% through Getinges own sales channels and only roughly 20% through distributors. The amount of sales through distributors has increased over the last couple of years, mostly because many developing countries has had an economic growth and can now afford products like the Getinge offers. When a market has grown large enough, Getinge usually makes an offer to buy the distributor and turn them into a sales office.

*“The main reason to do sales through a distributor is a matter of expense. The time it takes to enter a new market is considerable lower when using a distributor than when setting up a sales office. The distributor already has existing sales channels and contacts in the business area which are expensive to gain. The business is usually profitable from day one and you do not have the fixed cost associated with sales offices. The negative aspect of working with distributors is that two companies have to share the profit.”* - John Hansson, 2011-03-03

The goal for Getinge is always that the experience among the customers should be the same, whether they make business with a distributor or a sales office. In reality, doing business with distributors could be both for better or worse. Some distributors can be very large companies with a large amount of resources, but on the other hand a distributor might be a single employee company. This varies in different countries, however in average the perceived experience should be the same.

## Empirical research

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There is an internal conflict when dealing with distributors. The distributor wants to strengthen both their own brand and at the same time the brand of Getinge. This can make it a difficult time for the customer who needs to remember two instead of one name (brand). These brands can sometimes stand for different values. It has happened that a distributor has tried to label the products with their own brand, but the customer usually knows which company the products belong to.

A part of Getinge's offering is that they want to offer a complete solution where they are participating in the architectural design, installation, and implementation of the product. To make this possible Getinge sends the distributors experienced personnel in the planning stage. Some of the distributors do not offer the more technically advanced products since they lack the knowledge in terms of implementation and after sales service. The more advanced products usually generate less monetary value, but offer a higher perceived customer value in the long run.

Sometimes the distributors are satisfied just targeting the major cities and hospitals in a country, and at the same time they don't offer the same width of products. This limits the presence of Getinge in a country and they don't get the depth in the market. When the distributor lacks the interest of investing more money to gain more market share Getinge usually makes an offer to buy the company. The distributor is often happy with this solution and it fits them very well. This is an optimal mix and both parties are satisfied.

The relationships are very close with the distributors at Getinge. They try to treat them all equal and the relation is managed through the regional area sales managers. There will however always exist cooperating distributors who perform better or worse. Getinge never discards a distributor who does not live up to their standards. Instead they offer help to shape them up. There are situations when a distributor needs to be substituted. When this situation occur the company can see that personal relationships plays a big role and area managers who has been on their position a long time has a more difficult time making this decision. This is a reason to why area managers should be replaced from time to time.

Getinge view their distributors as cooperation partners but consider them a part of the Getinge family. When Getinge makes the decision to acquire a distributor the major reason is usually the potential they see on a market. Sometimes the ethical rules at Getinge enables them from entering a country, this could be because of bribes or corruption. When this situation occurs the distributor operates by themselves on this market. If a distributor has performed very well and has gained a market share of 80-90% Getinge sometimes let them continue on that market because they can't make any improvements and it would only mean a capital investment to set up their own office.

## Empirical research

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John Hansson expresses the importance of trust when dealing with distributors;

*“Many of the distributors are privately owned companies run by an entrepreneur who uses their own money in order to develop the business. It is important that they feel that Getinge stands behind them and trust them. Otherwise they will not make the necessary investments. They both rely on a very close relationship, which develops over time, in order to develop the business.”*

Getinge also offers help when a customer for example rather makes a deal directly with the manufacturer than with a small distributor.

Hansson admits that the educational part of the offering to the distributors does not work optimal. One of the biggest barriers is the language, many of the service technicians do not speak English and this is a major problem. One must only go to Poland to find that less than 50% can understand English. They usually try to solve this problem with someone who is native in the concerned country, but they are not always available. This is a problem Getinge tries to fight but it is difficult and time consuming.

Getinge keeps a formal contract with all their distributors. The contract sets up rules about how the brand should be handled, goals, stock, payment terms etc. The amount of training a distributor needs is also included in the contract and Getinge can terminate the relation if the contract is not followed. The area manager is in charge of reporting back to the manufacturer and the decision of whether or not to terminate the contract is always made at the highest level of decision making. The formal contracts run at a year at the time but as long as the contract is not breached the relationship will continue over several years. The distributor will not invest the time and money needed if they only get one year exclusive right to sell the products. That is why the mutual trust plays a major role.

Whenever a contract is made all involved parties will interpretive the contract to benefit the most from them. The distributors invest heavily in the relationship and many of them bond their houses to make money available. The distributors live and die with the manufacturing company and depend heavily on them. Many of Getinges distributors have about 80% of their products and are therefore very dependent on the mutual business. They will only make money when Getinge develop their products and will not take advantage.

An area manager generally has between 10-20 countries to handle depending on the size and the turnover. The area manager needs to monitor the prices among competitors and what they need to develop further in their product range. The distributor wants to gain as much as possible and at the same time Getinge want to keep the earnings on a reasonable level to make them eager to continue growing. Otherwise the development curve will not be positive, and they will not expand their business.



## Empirical research

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*“It is important to always ask yourself: why should the customers make business with me? What are their potential benefits? You also need to figure out how the distributor will make money and how they should survive and develop. When you are a global company with several billion dollars in turn over it is sometimes easy to forget about the smaller firms that makes the business possible and that they are using private money. It is important to know that it is very positive to work with a distributor and that the resource is very flexible.” - John Hansson, 2011-03-03*

Sometimes the market is not big enough to set up a sales office, and they are forced to reduce their presence to a distributor, and occasionally it also happens that the market is too small to even have a distributor and in those cases Getinge can use an agent who sets up meetings and close sales in exchange for commission.

Getinge does not have close insight in how some of their distributors conduct their sales. But Hansson claims that they do not have any problems with any of their distributors including areas that are known to have high levels of corruption.

### 4.3 Interview with Vecihe Özek, Sales manager MAK

In order gain access to how a distributor manages their relationship with a global manufacturer, we have conducted a semi structured interview with a sales manager at MAK. Vecihe Özek has 17 years of experience as a distributor for Getinge. The purpose of this interview is to get an insight of the distributor’s perspective of the relationship.

According to Vecihe, the brand of Getinge stands for the best quality, with higher price, a good technical support and a complete solution to sterilization needs. She explains that Getinge tries to educate their distributors but the effort is not enough. She further explains that presentations are also available online, but there only exists one or two presentations.

She thinks that the updates are not being done frequently and that Getinge is a little bit slow in doing these things. She gave an example that there were an organisational change at Getinge a couple of months ago but the new chart is still not available online.

Getinge and MAK have similar values in many ways according to Vecihe, but of course there are some differences since MAK need to adapt themselves according to the Turkish market. Since hospitals in Turkey do not have enough resources for back-up equipment the technical support is very important for the sterilization equipment. The service technician needs to be available 24/7 in order not to have a stoppage in the sterilization process causing cancelled surgeries. This is something that differentiates Getinge from MAK since service technicians usually are not available during weekends.

Vecihe has always felt that she was a part of Getinge, but at the same time she was representing MAK. During the sales meetings she had she felt that she was mainly representing Getinge.



## Empirical research

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At MAK they have always distributed the products of best quality. This made the decision to distribute Getinge products easy. MAK has also distributed non medical equipment but always aimed to have the best products on the market. Sometimes this has been tough on business since the high prices have made the products difficult to sell. Especially when compared to the local manufacturers, who holds the biggest market share on the Turkish market. Vecihe explains that selling these types of products are not like selling consumables since the relationship usually lasts between 15-20 years.

The most difficult part of being a distributor for Getinge is that it is a big organization where everything has to be done in the right order. Therefore the communication is slow, which is different from how business usually done in Turkey. Vecihe believes that an immediate reply helps to build a strong relationship with the customer. Response time on technical questions can sometimes be 2-3 days and that is too long when a machine is not running.

Vecihe explains that she has frequent contact with Sweden with several persons. She explains that the response time varies within the company and that it needs to be faster in general.

She explains the importance of having the help from the manufacturing company when you are a distributor. She says that when you distribute for one manufacturer for such a long period of time you build up the relationship with people at the head quarter.

During her 13 years at Getinge the area manager has changed two times. Björn Wederman was her contact for about ten years. After Björn quit Peter Mårtensson took over for 3-4 years and now she is working with Wilhelm Tham. She believes that all of them has been very good to work with, however she said that Peter only visited Turkey twice a year, which she believes is not enough. The customers appreciate when representatives from the manufacturer visit the hospitals and it helps her to build relationships. Vecihe doesn't believe that MAK needed a lot of information from Getinge even though it helps. She said that they have built up their own organization and it is working very well.

The personal attachments are important and it helps to build the business relationships. In their culture it is quite common to have dinner together outside the business. She admits that it might seem unprofessional but at the same time it strengthens the relationship. Everyone is not comfortable with this type of relationship so it is important to read the other person before suggesting spending time outside the business.

*"If you don't have trust you can not build up any personal relations, it stays at a lower level. You need to feel that they have your back."* – Vecihe Özek, 2011-03-28

Vecihe thinks that one of the biggest problems at Getinge is that they do not supply enough marketing material. She has mentioned this several times for John as well as others. She gives an example with low temperature sterilizers which she has noted has a big market potential, still Getinge has not made any brochures for her to give to potential customers.

Almost all of the marketing is being made through face-to-face meetings today.

## Empirical research

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Since 2009 there has been an improvement, MAK receives more information about new products and about the company. The information is now available online and you need to log into Getinges platform to receive this information. The updates are made regularly but still they are not frequent enough. Vecihe says that different parts of Getinge/branches are better than others at updating their products. She explained that Getinge Skärhamn is really good at their updates. Getinge Sterilization is the worst with very few updates on information and presentations. The management needs to make a decision to how updates should be done in the future according to Vecihe.

She does not feel that MAK is left alone in Turkey and she always feel like she is part of Getinge.

MAK never asks for help whenever their business is down. In 2008 the market was though and the exchange rate for the Turkish lira was not in favour for MAK. They did not earn any money that year but never asked for compensation since they knew that Getinge would not pay them. She wishes that Getinge would have helped them more during this time.

For example they bought the machines in U.S. dollar but the hospitals wanted to pay in lira and they had already been given their price. This resulted in MAK having to pay the difference.

The level of involvement from Getinge depends on the area manager and Vecihe explains that this is something you learn after a couple of years. Some of them are very committed, and some puts in less effort after a while. If it concerns a big project the area manager has some limits it is important to push them in order to get the help needed. The relationship with the area manager is therefore very important.

Education about the products is getting better and now they have distributor meetings where they can exchange experiences with distributors in other countries. Vecihe believes that these meetings should be held annually since the culture in Greece, Syria and the Middle East is very similar. They did not have these meetings in the past but it is getting better.

A downside with these meetings is that Getinge does not pay for all of the costs, and sometimes it can be expensive. Usually a distributor can only afford to send one or two sales representatives.

*If Getinge wants the distributor to perform well they must feel safe in the relationship. Therefore a contract is a must.” –Vecihe Özek, 2011-03-28*

## Empirical research

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MAK was before called BioICare. After the change of name there were no proper contract existing between Getinge and MAK. MAK asked for a renewed contract in 2000 but they were told that there existed no format from the law department. The answers were always very grey and they never saw the final version. These types of contract last forever as long as they are not terminated. Sometimes they felt that they needed a proper contract for MAK but they always trusted the relationship with Getinge. The relationship had existed for many years and they always felt that they could trust the word of management. With a proper contract you can see the future more clearly and that helps the distributor. This is something that has to be done with all the distributors since people and relationships changes. If Getinge wants the distributor to perform well they must feel safe in the relationship. Therefore a contract is a must says Vecihe.

The customers of Getinge and MAK would probably describe Getinge to have good quality, good technical service and fast solutions. The technical service is also very important in Turkey since the water quality is not good enough and forces maintenance to be made regularly. Since Getinge and MAK can offer this to their customers it gives them a competitive advantage compared to their competitors.

Sometimes MAK felt limited by the price but they always felt that they could offer a solution to the customer. Sometimes they even made some key projects without any profit and hopefully make money on the after sales service.

Getinge tried to help out with the architectural planning but usually their solutions took too much time and most of it was done in house by MAK. The customers do not pay for the suggestions and MAK does not get all the solutions they make planning for. The customer does not want to wait for the proposal but sometimes it could take about four weeks before Getinge could present an offer, which was too late.

Getinge does not have to send people to Turkey to help them out with the training. However she wishes that they could offer them a solution much faster in order to be able to present more options to potential customers.

The customers appreciate when they can choose from different solutions and wish that Getinge could make these much faster. It is not unusual for MAK to have a solution within one day.

MAK always know what prices they can offer to their potential customers, but sometimes it is necessary to ask the area manager about discounts. In those situations it is important to have an experienced area manager who can see the benefits in offering this. She knows that Getinge will not offer help if they does not ask for it.

When they first started out as distributors for Getinge her area manager was Björn Wederman. He came from the technology part of the company and she explains that the processes with him sometimes took time. However he had a lot of knowledge and Vecihe explains that she learnt a lot from him and that he helped them in the start up process. Her first project was the American Hospital in Istanbul and she learnt about Getinge and the sterilization process during that time.

## Empirical research

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*“When I started I knew nothing about infection control, and in Turkey we don’t have education medicational business. There was no one in the company that could help me, so I wish that I got a proper training in the beginning” –Vecihe Özek, 2011-03-28*

Vecihe wishes that Getinge could provide more training for new employees. When she first started she knew nothing about infection control business education. She graduated in business administration and in the beginning she learnt from asking people. They had just started to distribute these types of products and there was only one person who knew about them. He was a technician and not very keen on sharing with others. She is now working on a new type of project but she only received an hour worth of training before starting with it. She doesn’t feel sufficient and she has to find out many things by herself. Getinge needs to push and be pushed by the distributors to offer more training, and Vecihe even thinks that it should be part of the contract.

### 4.4 Marketing research, Getinge in Turkey

The quantitative research we conducted on the behalf of Getinge confirmed that Getinge is well perceived brand with high a reputation. In the autoclave sector, Getinge was second in the top-of-mind question, which we believe is very good considering the fierce competition from both local and global manufacturers. However 50% of the respondents were not familiar with the brand at all. The management must pay attention to this figure, and try to increase the awareness of the brand.

The study shows that Getinge is the fourth most used manufacturer in the sterilizer section with about 17% of the market. Getinge has the most loyal customer with 95%. This is a sign of high quality products and that they are treating their customers very well. Getinge showed a somewhat lower figure for the dishwasher section with 91% loyal customer. This made them the company with the third most loyal customers. Loyal customers seem to be a mutual factor in the sterilization/disinfection industry.

When comparing different functions of the manufacturer, Getinge turned out to score the highest in several sections including; good reputation, A company I can trust, best quality and best value for money.

To users who knew about Getinge, 72% answered that they somewhat like or like a lot, and no respondent said that they disliked the company. This made Getinge unique in this survey, and is another sign of a strong and popular brand. A contradiction to this finding is that Getinge only place as the third manufacturer the users would chose if the prices were the same. This is somewhat confusing since they score the highest in most of the asked attributes.

When purchasing new equipment, the customers look for the highest quality and the best service offering and they prefer to get recommendations from colleagues. Presentation from the sales force is only the third most popular way to retrieve information. Getinge almost exclusively using face to face meetings with potential customers. The study showed that 71% of the respondents would recommend Getinge to others, the highest score of all manufacturers. This is a good number for the future since customers listen to recommendations. Getinge was also the most likely brand to get repurchased from the users.

## Empirical research

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The findings suggest that Getinge is performing well on the Turkish market. At the same time they need to strengthen the awareness and increase the amount of referrals from users to potential customers in order to increase their sales. Perhaps they need more support from the office in Sweden to produce marketing material or to increase the service offering, which scored quite low (71%), since this is one of Getinges main offers.

## 5. Analysis

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*During our study we have found a couple of key concepts that we believe are crucial when dealing with a distributor-manufacturer relationship. In our analysis we will discuss how mutual trust can be necessary in order to have a working relationship. To develop this further we will also argue over the relevance of respect and humbleness in this type of relationship. Sometimes mutual trust for each other is not enough to secure the business and a formal contract is needed, especially for the distributor to feel secure. The contract is also beneficial for the manufacturer who can terminate the collaboration if they feel that the distributor is not performing well enough. Further discussion emphasis on how personal attachment can affect the relationship and the vital part knowledge exchange has in order to make the business more profitable and to make sure that customer doesn't notice any differences between a distributor and the manufacturer.*

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Our research has showed 5 key concepts that are crucial for a distributor-manufacturer relationship.

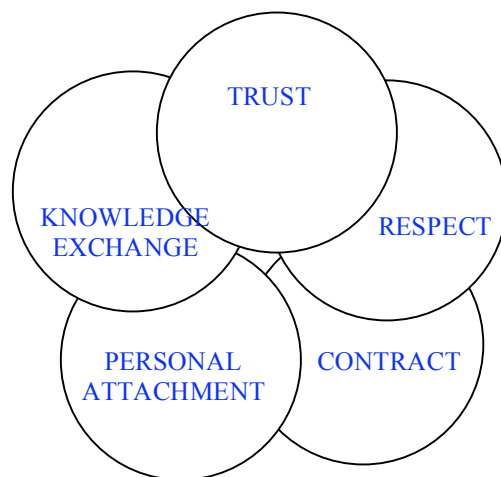


Figure 13; Five important concepts in a distributor-manufacturer relationship

## 5.1 Trust

Ford et al describes the relationship with a distributor like a bridge that closes the gap between the manufacturer and the end user. According to our research this is a far too simple description of a crucial part in the supply chain. The distributor in our case is an independent company and has its own values and ideas on how to do their business. It's therefore important for the manufacturer to develop close relationships with such a distributor in order to secure that their brand is used in a way that is in line with their own present strategy. Even if the distributor may have a disadvantage in organizational size they do have the power by being a mediator of the brand and can either build it up or destroy it. They are responsible for accomplish important elements of the manufacturers offer in the moment of truth with the end customers. Since Getinge has a high level of services and technical products, corporate reputation is an important factor to consider. The reputation made by the seller has a major influence which builds up the corporate image; they build up trust and identification to gain customer commitment. The distributor has a direct effect on customer trust which relates positive to purchase intentions. According to our survey Getinge rates high on many of the attributes that the distributor/ sales staff can affect; good reputation, a company I could trust, easy to do business with, good technical support. Getinge scores above their competitors in all these attributes.

As Micco Grönholm describes the brand in different features, the distributor is responsible for the emotional competition of the brand that is built upon trust and relations with the customer. The intellectual part of the brand that stands for the functional and performed product is mostly the manufacturer's responsibility to deliver. When a customer experiencing positive associations, it becomes added value to the product and hopefully creates a bond of loyalty. It is therefore important to monitor the customers brand associations.

This is especially important in a B2B market, since it often consists of fewer but larger customers. The manufacturer needs to have faith in the distributor to handle large orders; even though the potential loss is high. Aaker has defined corporate credibility as to what extent a company can deliver products and services that meet the needs and wants of the customer. The distributor must find the personalized solution that fits the customer with their local knowledge. According to our survey customers finds best quality (85%) to be the most important criteria when purchasing sterilization equipment, which is also a criteria where Getinge scored high and correspond with customer's perception.

A part of Getinge's vision is that there should not be any difference between dealing with a distributor or with their own sales offices. Getinge does not worry about the distributors; instead they completely trust that they are doing their job correctly. However there seems to be an acceptance of lower performance made by the distributor, since they are less profitable and their lack of time and money to offer the same education to customers as Getinge's own sales offices.

## Analysis

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It's difficult to secure commitment, especially if the distributor's values, policies, procedures and goals not are completely in line with the manufacturers. Since the arrangement hopefully should be continuous over a long period of time, building up trust is an important factor. Trust is one of three components, along with satisfaction and commitment, in relationship quality. It takes time to build up and the companies have to demonstrate in actions, not just empty promises, to prove their participation and involvement. One minor mistake can destroy the built up trust, and it can be impossible to rebuild the collaboration. Trust is a bonding force and is an important complement to the formal contract. An example is when MAK didn't have a legit contract during a period of time, instead they trusted Getinge enough to continue their work.

The involvement and investment are high for both parties and trust is essential for the collaboration to thrive. They both need to feel that the most effort is put into the selling brand, which is referred to *credibility* in the theory chapter. The manufacturer has to believe that the distributor offers the best solutions to their customers and detects potential problems in time for them to correct. There need to be trust that reduces the time and effort it takes to monitor the distributors.

The first area of restriction mentioned by Zhang, Cavusgil and Roath is *the physical distance*. It is more difficult to interact in the same way as in the domestic environment. Even if the cultural behaviour and expectations may be different, the manufacturer has to rely on the distributor that they act in favour of the brand. Sharing all the organizational information to an external collaborator is a risk since strategic actions and goals could be spread. The advantage of sharing information and build up trust will hopefully outweigh the risks and the management will overcome the fear and need for monitoring.

The economic and industrial growth in developing markets makes it even more important to trust the distributors, that they are making an effort to find new customers and not only rely on the "old". In Kotler and Keller three types of buying situation are identified, *the new task* demands large involvement to conclude. But it is important to be a head of the competitors to get market share. At the same time Berry argues for the importance to keep the old customers since this is more cost efficient in the long run. Getinge seems to have a high loyal rate, 95% answered "Yes" to the question; *Do you consider yourself loyal to brands you use?* But the Turkish distributor (MAK) also seem to put effort in attract new customers, 77% of the respondents had the perception of "they want me as a customer".

Getinge International is developed to manage the distributor relationship through regional area sales managers. This often evolves into very personal close bonds, which could be restricting and make it difficult for the persons to act objective. At Getinge we observed how this was solved by regular shift of positions; this has only happened twice during the 13 years Vecihe has been working with Getinge. But she agrees that personalities have a huge impact on trust and strong personal links can play a key role and can become a motivator to success.



## Analysis

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Commitment is part of the components in relationship quality, which is important in a business arrangement. This proves the manufacturer's ambition for a long-term participation and to convince the distributor that they stay by their side in good times as well as bad. In Getinge's case this is evident when the market has grown too big for a small distributor to handle, then they step in and offer to buy the company. This is often the best solution at the time and it benefits both parties.

### 5.2 Respect

A distributor should be treated as a respected partner, not as an external link that could easily be replaced. It is probably usual for a successful global manufacturer to act or to be perceived as the superior party in the relationship. Though the manufacturer should have in mind that the distributor has more to lose because of their smaller size. In the present case this was mentioned by the respondent (John) to be a problem and further expressed his consideration when he deals with distributors, since they often invest their own money into the company. The collaboration means that the manufacturer doesn't have the fixed cost to be responsible of, which they would have if they entered the market on their own. They should be acting humble towards the distributor because of the shift of risks that have been taken placed. The risk consists of the vast amount of money and time needed when entering a new market.

The manufacturer also has to respect all the local knowledge that the distributor could contribute with for the company to evolve. They possess critical market intelligence that needs to be taken into consideration, if they don't the distributor may feel unimportant in the relationship. Flexibility by the manufacturer is an important factor in order to gain respect and not make them feel insignificant. Vecihe expressed that there are some differences between Getinge and MAK, and they have to be able to adapt to the Turkish market. Many Turkish hospitals don't possess the technical skills so the service personnel have to be available 24/7. Our marketing research showed some lack of good technical support, 29% didn't agree that the brand stands for the attribute, still it was an acceptable rate compared to the competition. Getinge scored higher than the local competitors, Trans and Eryigit, even though it's their main market. By offering superior service to the customers this can, according to Berry, help to retain them in the future, as the first step in the relationship marketing strategies. The next step presented also deals with service and the importance of offering customized service solution to every customer in order to make them loyal. This makes the customer believe that it is too complicated to start all over with a new supplier.

Vecihe explained that sometimes it is necessary to lower the price in order to conclude a sale, and instead make money on the after sale services. This corresponds with the fourth strategy presented by Berry that loyal customer should be awarded with better prices.

## Analysis

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A company's resources are the most valuable asset and to share it with others demands trust and commitment from both parts. By entering a relationship some part of the company's freedom is given up. The companies have to show willingness to informal adaptations and to make compromises. In the beginning both sides feel fear and uncertainty but with time and commitment this becomes a less distinct feeling.

Both parties' gain benefits from the relationship; the manufacturer earns money immediately when entering a country and the distributor earns money by offering superior products. Both have mutual interests in the agreement and should show respect towards each other. This requires regularly discussions to express any concerns or thoughts they might have. This could also eliminate different perceptions or misunderstandings, and clarifies the expectations of the collaboration.

The need for long-term relationship has become necessary for companies survival, and to be able to compete in a more global market. In fact some of the distributors involved with Getinge's product have been doing this for 25-30 years. According to John it is a mutual depending, the distributors are depending on that Getinge is always developing and explore new opportunities. This long-term relationship is also important because of the long product-cycle, to be able to offer the final customer a trusted and committed distributor that serves their after sales service. Getinge is relative new on the Turkish market and has not yet developed a high amount of long-term relationship, only 20% of the customers have used the products for more than 10 years. The amount of long-term relationships will increase heavily in the future since 50 % of the customers have used their products for less than 5 years. They have already proven to be loyal, this is nothing MAK should be taken for granted instead they need to maintain a close relationship to secure purchases in the future. This is proven in the last question in our survey, where it is implied that some of the respondents are not sure to repurchase products from Getinge.

### 5.3 Contract

In our research we found that having a formal contract is very important to the distributor so that they feel backed up by the manufacturing company. At the same time it didn't seem as important to the manufacturing company. According to Getinge they keep formal contract with all their distributors, and they are automatically renewed every year if nothing else is said. When BioICare became MAK, no formal contract existed with the new company. The answer from Getinge, according to MAK, was that there existed no format for these types of contract. Sometimes MAK felt that a formal contract was needed, but they always trusted the word of the management at Getinge since they had worked together for many years.

Vecihe explains the importance of having a formal contract since you can see the future more clear as a distributor. She believes that these types of contracts need to exist with all distributors since people and relationships changes over time, and a formal contract can be useful. In order for the distributor to perform well they need to feel safe in the relationship, and a formal contract becomes important.

## Analysis

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The mutual trust plays a major role in the relationship since the contract only run for one year. No distributor would invest the time and money if they only got exclusive rights to sell a product for a according to Getinge.

Wu et al discuss the significance of having a formal contract in their article. They believe that the contract must set up guidelines for the relationship so that promises are kept and obligations are fulfilled. They even included sales minimum to be included in the contract. In the case of Getinge it was rather believed that it is in the interest of the distributor to reach certain sales goals and that they will perform even thou they have pre set goals. However John says that it can have limitations with the distributors since they often feel satisfied at a certain level of sales and doesn't want to risk their own money without security. Getinge never discards a distributor that doesn't live up to the standards, instead they help them with their business in order to increase their sales.

### **5.4 Personal attachment**

Getinge always tries to have a close relationship with their distributors. This can sometimes be tricky since the area manager is responsible for the distributor and he or she often has between 10-20 countries to operate in. Occasionally Getinge needs to substitute the area manager for various reasons. When these situations occur the personal attachment can be a burden.

Vecihe explains that the area manager plays a vital role in the relationship with the manufacturing company. During her years working with Getinge the area manager has been substituted twice but she feels that they have all been great. However when one of them only visited Turkey twice a year she felt that it was not enough. The customers appreciate when the manufacturer visits their facility and it helps the distributor to build relationship to the final customer.

Personal attachments are important in the Turkish culture and time is often spent together outside the business. This type of bonding helps the business development and makes the participating parties closer tied together. These close relationships exist both with the area manager as well as with the customers.

Depending on the area manager the level of involvement differs over the years. Usually you learn how the present area manager likes to conduct business and as a distributor you need to be aware of the different characters according to MAK.

As mentioned by Kotler & Keller, business relationships are characterized by both closer and longer relationships between the buyer and the seller. The case of Getinge is special since a sale often results in a post purchase relationship that lasts for 15-20 years.

## Analysis

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Getinge uses direct selling approaches when they try to market their products to potential customers. Just as Kotler & Keller describes, a manufacturer must carefully choose which marketing channels they should use in order to sell their product. Iyer et al propose that the direct selling approaches are more common when the number of sales is low, but each sale generates high profits just as Getinge uses. Bridgewater and Egan puts further emphasis on the crucial role each individual has, and that bonds of trust and familiarity must be on a personal level. In our survey we asked the respondents what activities they preferred when they searched for information about the products. Recommendation from colleagues and through homepages seemed to be most appreciated. Presentation from sales persons came in third, but at the same time it's probably the best way for companies to self influence the customer.

Mudambi argues that personal relationships can either make or break a deal. This is true in the distributor-customer relationship as well as in the distributor-manufacturer relationship. Strong personal links can play a vital role and motivate business with each other. Gosh et al also believe in strong relationships with the distributors especially when they operate in foreign countries, since the service standard often differs in various countries.

In the four types of relationship model developed by Ford et al the relationship that MAK has with Getinge and their end customers would be in the fourth box. The complexity of the product demands a high level of adaptation and is common in just-in-time deliveries. It is extremely important that the autoclave systems are delivered on time, and that they are up and running immediately in order not to risk a standstill in surgery or other vital parts of the hospital. This type of relationship demands a high level of communication and large investment from both sides in order to operate smoothly according to the authors.

### **5.5 Knowledge exchange**

Distributors in a short channel are depending on extensive technical knowledge to offer the customers the best services. Especially in a B2B market where the products often are complex and demand continuous updates.

The knowledge exchange goes further than the technical aspect, the social aspect may be even more important for the relationship. It's important for the distributor to feel like a part of the organisation. Vecihe expressed some irritation over the organisational charts not being updated, which has no technical value but rather a social. It should be frequently updated, especially when internet have made it easier and faster to share information, for the distributor to feel involved.

Because of the highly customized products in a B2B market, the seller needs to have a lot of knowledge to convince the skilled customer of the benefits by choosing them. Since the manufacturer may still has the control over prices, marketing, services and other functions it's important to mediate this to their partner. This in addition to the increasing demand of rapid service by customers, to be able for the distributor to respond quickly to the market needs.

## Analysis

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Getinge offers a so called *system buying* to customers, which requires that they are involved in an early stage so they can influence the specification and requirements by the customer. Because of the complexity of the buying process, the distributors should get involved with the customer already in the first stage of *the B2B purchase decision making process*. This further requires a close knowledge exchange with Getinge so they could offer a well custom-tailored solution. In fact the distributor should be present in every step of the purchase process, thus it's a part of Getinge's goal to involve the customer from planning, education, traceability to support.

The distributor creates the brand image to some extent, which should reflect the brand identity by the manufacturing company. It's the responsibility of manufacturer to make sure that *the identity prism* is well communicated to all involved parties. It is also important to keep a consistent and selected message to the customers, that don't contradict or interfere with each other. *The branding triangle* demonstrates the connections between the company, customers and its collaborators (e.g. distributor). This further shows the importance of the message consistency towards the customers that the interactive marketing as well as the external marketing doesn't contradict with each other.

Vecihe's first thought about Getinge brand was best quality, this attribute seems to be well communicated and delivered to the customers according to our survey, were 75% answered Agree or Strongly agree to this particular attribute. Best quality is a good attribute to be known for, because it could be reflected on other/new products of Getinge.

This is especially important when dealing with a *corporate brand*, which tend to be of a holistic view and where personnel has an important role. The brand has become crucial to differentiate products, and the brand image should be a conscious choice by the management on how they want the product to be perceived. The brand in a B2B market especially increases the information efficiency and reduces the risk perceived by the customers. This further emphasizes on the brand recognition which all the manufacturers aim for, and is a primary task for the distributor.

According to John (Getinge) they do have mandatory education about the brand and annual seminars is held by their sales offices. In contrast Vecihe says it could be a lot more education. John admitted that the educational part was not functioned optimal, and a major cause to this is the language barrier. Many of the employees in small companies in developing markets do not speak English.

The organizational capability are described by Wu et al as; "the ability of an organisation to continually acquire, assimilate and renew its knowledge stores to address environmental changes". Therefore it's also the responsibility of the manufacturing company to keep updated of changes in the market etc. They must be perceptive to the crucial elements that could differ in a different market/country, for example the service standard, the ability to bargain etc.

## Analysis

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One of the restrictions described by Zhang et al. is the company's *flexibility*. It can be a barrier to achieve for a big company to learn and adapt to local markets, to overcome their so far successful strategy and listen to distributor that are rookies to their products to some extent.

### 5.5.1 Internal training

According to John, Getinge has a vision that a customer should not notice any differences between conducting business directly with a sales office operated by Getinge or with an external distributor who sell products from Getinge. All the distributors that sell products manufactured by Getinge needs to participate in a mandatory education to learn what the brand of Getinge stands for, this is the same education that all employees in Sweden or else where goes through. However this seems not to entirely work since Vecihe says that more training is needed for new employees and that this should be put in the contract with all the distributors. The absence of knowledge was obvious when Vecihe begun at MAK, she knew nothing about infection control and there was no one in the company that were keen to help her. She wishes that there had been a proper training in the beginning of her career in the medical equipment industry.

The training part is very important not only to the distributor but to the customers they are working with as well. Often the distributor lacks the time and knowledge to educate them which could affect the business negatively.

*The branding triangle* explains the importance of having a clear message to all the participants in the business. This is true in both internal activities as well as external. With a clear and consistent message the customer will get a better picture of the company and the brand. Management must be aware of changes and be proactive rather than making decisions to late.

The internal training can be compared to *the internal marketing* strategy presented by Berry. It is important to have well-trained and educated employees that is satisfied with what they do in order to attract skilled personnel in the future.

According to Gummesson, *total relationship marketing* involves all parties in a network and therefore creates value for the customer as well as the manufacturer. The marketing is based on networks, relationships and interactions and involves suppliers, manufacturers, distributors and customers. This makes it important for the manufacturer to view the distributor as an important link in the chain, and to view each customer as an individual with special needs, wants and demands.

## Analysis

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It is more common that the marketer of business products will meet a well-trained and informed buyer according to Kotler & Keller. It is therefore important that the seller has extensive knowledge about the product they are selling to be able to provide relevant information to the buyer especially when the product is technical complicated. The training provided by the manufacturer to the distributor plays a vital role and it is important that the provided information always is updated. The marketer must be able to understand the need, wants and demands from the buyer to make a reasonable judgement of what they should offer.

*The new task purchase process* proposed by Kotler & Keller demands high efforts from both the selling and the buying party. It is often a matter of a complicated product that is being bought for the first time. The brand plays a more relevant role in these types of situations and the knowledge thought to the distributor becomes extra crucial.

Positive reputation and a widespread favourable knowledge about the manufacturing company brand can serve as a shortcut in the purchase process further developed by Kotler & Pfoertsch. If the distributor can mediate the positive feelings among customers, the purchase process can become much smoother for the buying party. Getinge seems to have a good reputation among customers; 86% of the respondents in our survey consider the brand to have good reputation. This is the highest score in the survey; Steris has the second highest reputation with 77%.

Positive reputation has three potential benefits according to Greyser and it is therefore important for both the manufacturer and the distributor to uphold this towards customers. First of all customers are willing to pay premium prices for products with positive reputation, secondly the support is higher in times of controversies and thirdly the company will have a higher value in the financial market marketplace.



### 6. Conclusion/Implications

*To continue our analysis towards a conclusion and the managerial implications that could be relevant for others, we here conclude our findings.*

*In the end of our case study we will answer the second question of our thesis, that is: what seems to be the critical issues and success factors that seems important when working with international distributors on foreign markets. This chapter will bring up the managerial implications that are relevant in order to succeed when using distributors.*

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In the previous chapter, the analysis, we answered the first question in our stated aim of this thesis. *What attributes are important factors in this kind of relationship?* We came to the conclusion of 5 key concepts; trust, respect, contract, personal attachment and knowledge exchange. These were founded upon the previous research we have read as well as the findings we made through out the collaboration with Getinge. All of the key concepts we believe has equally importance and should be existing and well functioned for the relationship to flourish.

Our second question in our thesis was aimed towards a managerial perspective; *What are the approaches that lead to success and critical issues for management to assess?* This is a specific question regarding our case company, but we aim to find some general insights that could be relevant for others as well.

#### 6.1 Critical issues

When studying our case company Getinge, we have found a number of critical issues that seems to be of extra importance when working with distributors. To have satisfied employees and to treat them all equal is vital. The education program and the seminars arranged for the distributors seems to be appreciated, however the manufacturing company must realize that the distributors usually are small companies with limited budget and can not afford to send their whole sale staff if the manufacturing company does not sponsor the trip.

Another issue that needs to be monitored is the corporate cultural differences that without doubt exist between the countries that the manufacturing company operates in. Differences we found between Getinge and MAK are that Getinge seems to be more bureaucratic and slow moving. This can often be frustrating for the distributor who wants answers within hours. The service standard also differs and the Turkish customers demands the service to be available 24 hours day, which can be hard to offer sometimes since the service technicians occasionally needs help from the support in Sweden. This affects the relationship between the distributor and their customers and it can hurt the reputation of the manufacturer in the long run. Not only the service offering is affected, but also the time it takes for the distributor to present a solution to the customer since the architectural planning takes too much time.



## Conclusion/Implications

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The language barrier is another factor that can affect the relationship between the manufacturer and the distributor. In many of the countries where global companies exist, some of the employees may not know English. This makes it difficult in order to educate them and to help them with inquiries. Language barriers are difficult to overcome especially when the product is technically complicated, as it is in this case. However it is important to stress the importance of being able to communicate efficiently and the manufacturer must find a solution to this problem.

Three areas of restrictions when it comes to dealing with international distributors are physical distance, flexibility and solidarity. It is more difficult for the manufacturer to monitor the distributor than it is to monitor the domestic market. The second restriction concerns barriers to overcome that have to do with political and legal systems. The last restriction deals with the fact that individual incentives and legitimate authority may differ in various cultures. Three ways of overcoming these cultural barriers are to focus on mutual trust, extensive knowledge exchange and formal contract based relationships.

### 6.2 Success factors

A division within the company, which has the responsibility and main function to be a link, contact, and support to foreign distributors, agents and sales divisions is of great relevance. We find this important and an excellent approach for companies to keep updated with the sales and customers in other countries. The area managers become the extended link of the manufacturer; they are responsible for the distributors and make sure that they are not forgotten in the organisation. Their task is to maintain a well working relationship and a development of the business. The social factors are important for the distributors to feel involved in the manufacturing company. They visit the distributor and meet customers on the foreign market.

Sales support can take place in many different forms. It could be when the manufacturer helps the distributor with the architectural planning, or help with the after sales service. Another form of sales support is to send experienced sales managers to the new market in order to increase their sales.

Good communication is the foremost reason to a well functioning relationship. With the involvement of the internet there are no exceptions not to have fast and regular contact. A joint intranet makes it possible for external distributors to be updated with the latest information and to feel like a part of the organisation. This is an easy and effective way to communicate with distributors.

Distributor meetings are another way to communicate information and to keep an open discussion between a manufacturer and their distributors. The distributors were not only given information about the company and products, but more importantly gave a chance to share experiences between markets. Distributors from different countries, but from the same geographical area, have a lot in common e.g. culture and can learn from each other. These meetings are a good opportunity for development and are appreciated by the distributors.

## Conclusion/Implications

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### 6.3 Concluding remark

The relationship between two companies can vary tremendously; each bond is unique and constantly changing. Every relationship should be treated as an individual. Because of the uniqueness of all relationships there are no standard solution for managing them, instead every bond needs to have special attention on a regular basis.

This demands time and resources in order to keep updated since a relationship are an unpredictable phenomena rather than static. To treat all relationships equal would probably be easier for the company, but the constant changes will hopefully be beneficial in the long run. The relationships need to be changed for the company to develop, even if it involves some risks.

An evaluation of a company's relationships is crucial and should be done on a regular basis. This to make sure that the relationship follows the company's best interest and the overall strategy. In a mature stage it is easy to take the relationship for granted and not to question them. Even a long-term relationship demands further investment, in other words you have to give to gain. The issue is not to assess the past but the future potentials.

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## Appendix I (Presentation of the telemarketing company)

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### Method Research Company, Istanbul

The chosen telemarketing company is Method Research Company, this decision has been made together with Getinge AB. The crucial factors for this have been the near location to MAK Medikals office and their known reputation by Vecihe Özek.

Method Research Company is founded 1998, and has gathered a lot of experience over the years on the business area with approximately 0,5 million respondents per year.. Examples of their customers are; Microsoft, Toyota, BMW, but also companies in the health sector where the interest of Getinges lies; Johnson&Johnson and AstraZeneca. Method Research Company is a member of ESOMAR as well as the Marketing Association Turkey. They are also certified with ISO 20252, which is an international certification and they have a GAB certificate which is a local certification.

Their main office is situated in Istanbul, but they have regional offices all over Turkey which give them a lot of knowledge of the Turkish market. In their presentation<sup>155</sup>, which we took part in, they explained the importance of control in marketing research/surveys. When they represent B2B companies, which usually are more complexed, they use a team with a minimum of 1-year experience to handle the CATI-interviews (Computer Assisted Telephone Interviewing)

They have a lot of other factors that emphasis the control of the processes;

*-Live monitoring.* Superiors are making randomly made samples of the interviews with access to the operators screen to follow the made marks. This is made by 2 minutes of 15 interviews and 2 whole interviews, which gives a control of 40% of the interviews. Their experience is that more monitoring/listening gives better quality.

There is a clear model of control used by the monitor, criteria such as politeness, speed of the interviewer, easy to be understood, how to manage problems, follow rules are some of the criteria's that are being measured. The interviewer's performance is also being evaluated every month through points, how much of the time they have been "busy" with interviewing or "empty" (break etc).

*-In house developed software.* The software that is used are especially made to the occasion. The translation of the survey has been made earlier by Vecihe Özek.

*-Brief/introduction meeting to operators.* In our case Vecihe Özek is going to personally hold this meeting.

The presentation is further developed to a negotiation and a discussion about our developed survey. Different aspects are looked over and some minor changes have been suggested. For example is the order of the companies, Getinge should be mentioned earlier, and less criteria's of attributes of the companies.

One of the three persons that were represented the Method Research Company had a PhD in statistics and were overall very pleased with the survey and took the cultural differences that could occur into consideration.

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<sup>155</sup> Meeting in Method Research Company's office in Istanbul, 110328. Participants; Magnus Holmqvist, Therese Linde, Vecihe Özek (MAK), Erol Mercan (MRC Assistant General Manager), Atilla Yardimci (MRC Marketing Research Director), Person X (MRC), the meeting were held mainly on English with exceptions on Turkish.



The meeting was ended with a discussion over price, which is confidential, and a date (2<sup>nd</sup> of May) was set when the interviews are supposed to be done. The telemarketing company also has the responsibility to make a technical as well executive report over the result, and is asked to make all of results in English.

## Appendix II (Quantitative survey for Getinge's customers)

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Due to your current position at your hospital, you have been chosen to be part of a survey regarding sterilizers (autoclaves) and washer disinfectors.

You are asked to answer questions about manufacturers within this business area.

This will only take approximately 10 minutes of your time.

The purpose of this research is to compare different manufacturers present in the Turkish market and how they are perceived by the customers.

We would appreciate if you took the time needed to conduct this survey.

Thank you!

### Guidelines for the interviewer

This interview will be conducted anonymously and from a neutral point of view without emphasis on any of the examples of brands/manufactures mentioned in the survey.

If the respondent want to know the company behind the survey, this should be given after the survey is completed.

Be aware of the possibility of confusing manufacturers with their distributors. We are interested in only the manufacturer's brand.

<u>Manufacturer</u>	<u>Distributor</u>
Steris	Tensa
Belimed	Hakerman
Eryigit	
Getinge	
Trans	

---

**Name of the hospital:** \_\_\_\_\_

**City:** \_\_\_\_\_

**Respondent profile**

1. Age:  
 20-30  31-40  41-50  51-60  61+
2. Gender:  
 Man  Woman
3. Years at current hospital:  
 0-2 years  1-2 years  3-5 years  6-9 year  10+ years
4. Years at current position:  
 0-2 years  1-2 years  3-5 years  6-9 year  10+ years
5. Size of the hospital (beds):  
 1-100  101-200  201-500  501-1000  1000+  Don't know
6. What is your role in purchase decisions?  
 Give opinion  Recommend  Authorize purchase  Other: \_\_\_\_\_

**Sterilizers (Autoclaves)**

7.a. What company first comes to mind when you think of companies that make sterilizers (autoclaves)?

\_\_\_\_\_

7.b. What company first comes to mind when you think of companies that make washer disinfectors?

\_\_\_\_\_

8. List all companies you associate with infection control/sterilization products.

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

9. How well do you know the following companies?

	Never heard of	Not familiar	Somewhat familiar	Familiar	Very familiar
Steris-Amsco	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Belimed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Eryigit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Getinge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

10.a. What is the brand/make of sterilizers in your hospital?

\_\_\_\_\_

10.b. What is the brand/make of washer disinfectors in your hospital?

\_\_\_\_\_

11. For how long have your hospital used this brand (years)?

0-5  6-9  10+  Don't know

12. Do you consider yourself loyal to brands you use?

Yes  No  If other please explain; \_\_\_\_\_



**b. Belimed**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Best Quality	┘	┘	┘	┘	┘	┘
Best value for money	┘	┘	┘	┘	┘	┘
Best technology	┘	┘	┘	┘	┘	┘
A company I can trust	┘	┘	┘	┘	┘	┘
Good reputation	┘	┘	┘	┘	┘	┘
They want me as a customer	┘	┘	┘	┘	┘	┘
Offers good enough value for money	┘	┘	┘	┘	┘	┘
Easy to do business with	┘	┘	┘	┘	┘	┘
Good service offer	┘	┘	┘	┘	┘	┘
Offers complete solutions	┘	┘	┘	┘	┘	┘
Good technical support	┘	┘	┘	┘	┘	┘

**c. Eryigit**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Best Quality	┘	┘	┘	┘	┘	┘
Best value for money	┘	┘	┘	┘	┘	┘
Best technology	┘	┘	┘	┘	┘	┘
A company I can trust	┘	┘	┘	┘	┘	┘
Good reputation	┘	┘	┘	┘	┘	┘
They want me as a customer	┘	┘	┘	┘	┘	┘
Offers good enough value for money	┘	┘	┘	┘	┘	┘
Easy to do business with	┘	┘	┘	┘	┘	┘
Good service offer	┘	┘	┘	┘	┘	┘
Offers complete solutions	┘	┘	┘	┘	┘	┘
Good technical support	┘	┘	┘	┘	┘	┘

**d. Getinge**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Best Quality	┘	┘	┘	┘	┘	┘
Best value for money	┘	┘	┘	┘	┘	┘
Best technology	┘	┘	┘	┘	┘	┘
A company I can trust	┘	┘	┘	┘	┘	┘
Good reputation	┘	┘	┘	┘	┘	┘
They want me as a customer	┘	┘	┘	┘	┘	┘
Offers good enough value for money	┘	┘	┘	┘	┘	┘
Easy to do business with	┘	┘	┘	┘	┘	┘
Good service offer	┘	┘	┘	┘	┘	┘
Offers complete solutions	┘	┘	┘	┘	┘	┘
Good technical support	┘	┘	┘	┘	┘	┘



**e. Trans**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Best Quality	┘	┘	┘	┘	┘	┘
Best value for money	┘	┘	┘	┘	┘	┘
Best technology	┘	┘	┘	┘	┘	┘
A company I can trust	┘	┘	┘	┘	┘	┘
Good reputation	┘	┘	┘	┘	┘	┘
They want me as a customer	┘	┘	┘	┘	┘	┘
Offers good enough value for money	┘	┘	┘	┘	┘	┘
Easy to do business with	┘	┘	┘	┘	┘	┘
Good service offer	┘	┘	┘	┘	┘	┘
Offers complete solutions	┘	┘	┘	┘	┘	┘
Good technical support	┘	┘	┘	┘	┘	┘



14. Which of the companies would you prefer to buy Infection Control products from, if the prices were the same?

Rank the companies from 1 (most preferable) to 5 (least preferable)

Steris-Amsco	Belimed	Eryigit	Getinge	Trans	Other; _____

15. What attribute do you find most important when purchasing sterilization equipment?

Rank the 3 most important attributes.

Best quality	   
Technology	   
Company I can trust	   
Good reputation	   
Persuasive salesforce	   
Easy to use	   
Good service offer	   
Complete solution to my needs	   
Environmental friendly	   
Good technical support	   
Other; _____	   

16. If any, what frequent problems are you experiencing regarding you sterilizers and washer disinfectors.

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17. Which activity would you prefer when you search information about sterilizers and washer disinfectors?

Rank the market channels from 1 (least preferable) to 5 (most preferable)

	1	2	3	4	5
Homepage of the manufacturer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Printed material from the manufacturer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reviews in magazines	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recommendation from colleagues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Presentation from sales people	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

18. I would recommend this company/brand to others.

Steris-Amsco  Belimed  Eryigit  Getinge

Trans  Other; \_\_\_\_\_  Don't know

19. Next time I buy Infection control/Sterilization products, I will buy from this company.

Steris-Amsco  Belimed  Eryigit  Getinge

Trans  Other; \_\_\_\_\_  Don't know

## Appendix III (Semi structured interview, John Hansson)

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### Semi structured interview with John Hansson, President Getinge International Getinge, Sweden

#### Allmänt

Vad står Getinges varumärke för?

Hur gör Getinge för att lära ut dessa värderingar till sina distributörer?

Vad anser du motiven är för att använda sig av distributörer?

–fördelar, nackdelar

Tror du kunder upplever skillnader mellan att göra affärer med en distributör och med era egna säljbolag?

Hur viktigt anser du det är att erbjuda hela lösningen till era kunder, med planering installation och service efter köpet? Och anser du att detta fungerar lika bra med distributörer som med era egna säljbolag?

Skiljer sig relationerna mellan de olika distributörerna?

Spelar individen en stor roll till relationen?

Känner ni att era distributörer är del av Getinge eller ser ni dem mer som samarbetspartners?

Hur lång tid brukar det vanligtvis ta innan ni sätter upp egna säljbolag i ett land? Beror det på försäljning som görs eller potential ni ser?

#### Trust

Mycket av den litteratur vi har läst belysa förtroende som en viktig, om inte avgörande, faktor för en relation med en distributör? Håller du med?

Litar ni på MAK att de gör det bästa för Getinge?

Eller ser ni de som en organisation som sätter sina behov före Getinge AB:s?

#### Knowledge exchange

Uppmanar ni att era distributörer att ta initiativ, ge råd, va med på utbildningar etc?

Erbjuder ni samma möjligheter för era distributörer gällande vidareutbildning (säljteknik, uppdateringar etc.) som för era säljbolag?

Har distributören kontakt med flera personer på Getinge?

Har ni regelbunden diskussion med MAK på förbättringar?

#### Formal contract

Är kontraktet väldigt ordnat över ansvar och arbetsfördelning mellan er och distributörerna?

Över hur lång tid är kontrakten skrivna?

Kontrollerar ni MAK på något sätt att de gör sitt jobb, följer kontrakt etc?

Har det hänt att någon distributör har tolkat termerna på ett kontrakt för hans fördel, på er bekostnad? (inte hållit vad de lovat, ignorerat någon del... konsekvens?)

Om försäljningen går dåligt i ett land, vad gör Getinge för att förbättra den? Ringer ni?

Gör besök? Åker med och träffar kunder?

## Appendix IV (Semi structured interview, Vecihe Özek)

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### Semi structured intervju med Vecihe Özek, Sales manager MAK Medikal Istanbul, Turkey

#### General

What would you say that the brand of Getinge stands for?

Does Getinge have presentations about values of the brand?

To you think that MAKs values are the same as Getinge? Do they complement each other?

When you have your sales meetings, do you feel that you are representing Getinge or MAK?

How would you say that your customers would describe Getinge?

Benefits and barriers by being a distributor

What do you feel are the benefits of being a distributor, what motivates the company to be an external part?

Which are the most difficult tasks of being a distributor, do you find any barriers? Cultural differences?

Do you ever feel neglected being in a different country than the head office?

Relationships

Do you have contact with many persons at Getinge Sweden?

Has there been a lot of changes of the contactpersons/area sales managers in Sweden?

Do you find the personalities of the contactpersons to be important? Less or more personal attachments?

Has it been different relationships depending on the area manager?

Trust

Do you find trust to be a big factor in the relationship?

Knowledge exchange

Do you receive a lot of information about the company in Sweden and new products?

Was it more information in the beginning or has it been regular?

Does new staff get a introducing presentation of Getinge when they first came in?

Do they encourage you to take part of education or training about the products? Is that something that everyone in the offices contributes to?

Do they encourage you to take own initiatives or do you have to go and have a discussion with Getinge if you have a big sale?

Formal contract

Are you pleased with the contract and do you believe it's beneficial for MAK Medikal?

Have you ever felt limited by the contract? Over the price, solutions, offers etc.

In what period of time are the contract written over?

Did Getinge help you with the architectural planning?

Do you wish that they send you people more frequently to help you out with that planning?

Have Getinge offered to help you when the business where down? If they did, what was their solution?

Would you like them to offer more help?

## ***Managing relationship with distributors on international markets***

*By Magnus Holmqvist & Therese Linde*

*It has become common for industrial business to business companies to use intermediaries to get their products out to customers in foreign markets. The usage of distributors have increased over the last 30 years, and we will conduct a research on how these relationships should be managed by both of the involved parties.*

### **Introduction**

More and more research enlightens the importance of long-term relationships in businesses; in fact it has been common known that it gives crucial value and a competitive advantage to the involved company. During the last couple of decades we have experienced an incredible economic growth on many markets that was earlier considered developing markets. Many companies need to seek business outside their domestic markets in order to develop business growth, and to grow their product offerings. One way of entering foreign markets is to use a distributor who receives the rights to sell your products on the market. This is an effective entry strategy where sales channels and distribution chains are developed immediately. Thus it require sales managers to develop a close relationship with the distributor in order to secure that their brand is used in a way that is in line with their present strategy, not to confuse the customers.

To gain a deeper understanding in the subject, we have conducted a case study on Getinge AB, who is a manufacturer of highly technology advanced products in a business to business environment. Getinge has a global presence in over 100 countries

and the products are distributed through 30 company-owned sales offices and about 60 external distributors, who have the exclusive right to sell Getinge products on their market.

In order for B2B companies to grow internationally and at the same time not to risk a vast amount of time and money to set up sales offices distributors are becoming more interesting. At the same time the interest for brand building in a B2B context is growing and managers now see the benefits of having a strong brand. A conflict of interest arises when the distributors both want to promote their own brand and at the same time sell the products from the manufacturer. The managerial implications is how to manage the relationship with the distributors and how to educate them in how to handle the manufacturers brand in order not to make it contradictory towards their own brand values.

### **Theoretical background**

A distributor is a middleman that helps a company on one of their international or domestic markets (Ghauri and Cateora 2010). The distributor usually has an exclusive sales right on a specific market and they work closely with the manufacturer (Hansson, 2010). To choose the right distributor has become a way for companies to gain competitive advantage and to avoid unnecessary risks (Chopra, 2001). One reasons for the use of distributors is the increasing demand of rapid service by customers and be able to respond quickly to the market needs (Mudambi and Aggarwal, 2003).



Relational exchanges have become necessary for the companies' survival, and in an increasing competitive environment companies constantly seek collaborative relationships to build long-term alliances (Ghuri and Aggarwal, 2010). In order to succeed in new markets suppliers must, due to the increase of distributors in industrial sales channels, develop strong relationships with them. Another important reason for using distributors is the reduction of trade barriers (Gosh et al., 2004). There are some reasons for the increased use of distributors such as the number of customers and the size of them has increased over the years along with customers becoming more geographically widespread (Ford et al). Local market knowledge is another fundamental benefit of having a foreign distributor. The distributor possess critical market intelligence on customer expectations, local requirements etc. Cultural differences should be monitored and management need to overcome these to strengthen the relationship. There are three ways to conquer barriers of cultural distances; trust, knowledge sharing and contract-based relationship. Trust is considered to be the most effective way to distributor opportunism (Wu et al., 2007). A strong relationship between the supplier and the distributor can be of great competitive advantage (Mudambi et al. 2003). It is important to have efficient information exchange with the distributors to improve their performance and the movement of the offering within the network (Ford et al. 2003).

### **Our case company and the research method**

The research of our thesis is founded upon one single company Getinge Infection Control and their Turkish distributor MAK. The intention of our case study has been to investigate two sides of the supply chain, from the manufacturer point of view as well as the distributor who has the final contact with the buyer. It has also been by

conducting the exploratory research to seek general insight of the relationship between a global manufacturer and a local distributor.

Getinge Infection control (business area within Getinge Group) has sterilization equipment installed in more than 100 countries, on all 6 continents, and is therefore the world's largest exporter on the market. Their customer segments are hospitals, care centres, drug industry and laboratories. Getinge makes custom-tailored solutions, which means that the customer is in the process from planning, education, traceability to support.

We have conducted qualitative interviews to get a deeper understanding of the relationship between a global manufacturer and a local distributor. For the empirical data collection with Getinge we choose to interview John Hansson, president of Getinge International. To gain insight from a local distributor we conducted a interview with Vecihe Özek (MAK), Getinges Turkish distributor.

### **Discussion**

During our study we have found a couple of key concepts that we believe are crucial when dealing with a distributor-manufacturer relationship. In our analysis we will discuss how mutual trust can be necessary in order to gain a healthy relationship. To develop this further we will also argue over the relevance of respect and humbleness in this type of bond. Sometimes mutual trust is not enough to secure the business and a formal contract is needed, especially on the behalf of the distributor. The contract is also beneficial for the manufacturer who can terminate the collaboration if the distributor is not performing well enough. Further discussion emphasis on how personal attachment can affect the relationship and the vital part knowledge exchange has in order to make the business more profitable and to make sure that

customer doesn't notice any differences between a distributor and the manufacturer.

Our research has showed 5 key concepts that are crucial for a distributor-manufacturer relationship.

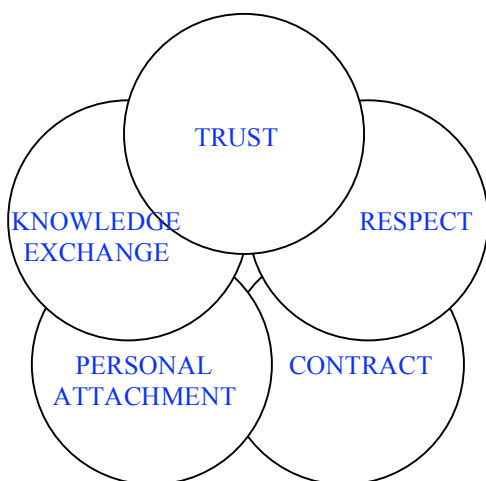


Figure 1; Five important concepts in a distributor-manufacturer relationship

### Trust

Since the relationship between a manufacturer and a distributor hopefully should be continuous over a long period of time, building up trust is an important factor. It takes time to build up and the companies have to demonstrate in actions, not just make empty promises, to prove their participation and involvement. Trust is a bonding force and is an important complement to the formal contract. An example if this is when MAK didn't have a correct contract under a period of time, they trusted Getinge enough to continue their work.

The distributor is an independent company and has its own values and ideas on how to conduct their business. It's therefore important for the manufacturer to develop close relationships with the distributors in order to secure that their brand is used in a way that is in line with their own present

strategy. They are responsible for accomplish important elements of the manufacturers offer in the moment of truth with the end customers. Positive experiences by customers become added value to the product and create bonds of loyalty.

Trust also reduces the time and effort it takes to monitor the distributor. The manufacturer has to believe that the distributor offers the best solutions to their customers and detects potential problems in time for them to correct.

### Respect

A distributor should be treated as a respected partner, not as an external link that could easily be replaced. It is probably usual for a successful global manufacturer to act or to be perceived as the superior party in the relationship. Though the manufacturer should have in mind because of the smaller size of a distributor company they also have more to loose. John mentioned this problem and further expressed his consideration when he deals with distributors, because they often invest their own money into the company. They should be acting humble towards the distributor because of this shift of risks that have been taken placed.

The manufacturer also has to respect all the local knowledge that the distributor could contribute with for the company to evolve. They possess critical market intelligence that needs to be taken into consideration; otherwise the distributor may feel unimportant.

Some of the distributors involved with Getinge's product have been doing this in 25-30 years. According to John it is a mutual depending, the distributors are depending on that Getinge is always developing and explore new opportunities.

### **Formal contract**

A formal contract is written to make sure that promises are met and obligations are fulfilled (Wu et al.). We have found formal contracts to be important in the manufacturer- distributor relationship. The distributor feel that they are backed up by the manufacturing company and it helps them to plan the future easier. At the same time the manufacturing company can terminate the business agreement if the contract has been breached by the distributor.

*“If Getinge wants the distributor to perform well they must feel safe in the relationship. Therefore a contract is a must”* – Vecihe Özek, Sales manager MAK Turkey

### **Personal attachment**

Getinge is managing the relationship with their distributors through area managers who are responsible to monitor the sales and keep the management updated. Personal attachments are important in business relationships and it is quite common that time is spent outside the business environment as well. This type of bonding helps the business development and makes the participating parties tied closer together. These close relationships exist both with the area manager as well as with the end users. Relationships are often extensive in business to business environments but are special in the case of Getinge since a sale often results in a bond for over 15 years.

Relationships can either make or break a deal; this is true in the distributor-customer relationship as well as in the distributor-manufacturer relationship. Strong personal links can play a vital role and motivate both parts in to doing business with each other.

### **Knowledge exchange**

Because of the highly customized products in a B2B market, the seller needs to have a

lot of knowledge to convince the skilled customer of the benefits by choosing them. Since the manufacturer may still has the control over prices, marketing, services and other functions it's important to mediate this to their partner. This in addition to the increasing demand of rapid service by customers, to be able for the distributor to respond quickly to the market needs.

Because of the complexity of the buying process, the distributors should get involved with the customer already in the first stage of the *B2B purchase decision making process*. This further requires a close knowledge exchange with Getinge so they could offer a well custom-tailored solution. In fact the distributor should be present in every step of the purchase process, thus it's a part of Getinge's goal to involve the customer from planning, education, traceability to support.

To some extent the distributor creates the brand image, which should reflect the brand identity by the manufacturing company. This is also important to keep a consistent and selected message to their customers, that don't contradict or interfere with each other.

This is especially important when dealing with a corporate brand, which tend to be of a holistic view and where personnel has an important role. The brand has become crucial to differentiate products, and the brand image should be a conscious choice by the management on how they want the product to be perceived.

The social aspect may be even more important for the relationship. It's important for the distributor to feel like a part of the organisation. The Turkish distributor expressed some irritation over the not updated organisational charts on the intranet, which has no technical value but rather a social.

### **Internal training**

All the distributors that sell products manufactured by Getinge needs to participate in a mandatory education to learn what the brand of Getinge stands for; this is the same education that all employees in Sweden or else ware goes through. However this seems not to entirely work since Vecihe (Turkish distributor) says that more training is needed for new employees and that this should be put in the contract with all the distributors.

*“When I started I knew nothing about infection control, and in Turkey we don’t have education about medicational business. There was no one in the company that could help me, so I wish that I got a proper training in the beginning.”*

With a clear and consistent message the customer will get a better picture of the company and the brand. Management must be aware of changes and be proactive rather than making decisions to late. It is important to have well-trained and educated employees that is satisfied with what they do in order to attract skilled personnel in the future.

The training provided by the manufacturer to the distributor plays a vital role and it is important that the information that is provided always is updated. The marketer must be able to understand the need, wants and demands from the buyer to make a reasonable judgement of what they should offer.

Positive reputation and a widespread favourable knowledge about the manufacturing company brand can serve as a shortcut in the purchase process. If the distributor can mediate the positive feelings among customers, the purchase process can become much smoother for the buying party.

### **Managerial implications**

We have found a number of critical issues that need to be assessed by the management in order to succeed in long term relationship with distributors on a foreign market. We believe that our findings can help manufacturers, as well as distributors, with an understanding to ensure a successful relationship.

#### **Success factors**

The results from our qualitative interviews have given us an insight of factors that are both favourable as well as unfavourable for the relationship to thrive. Besides the five key concepts that earlier discussed as attributes that are crucial to the relationship between a manufacturer and a distributor.

Getinge have established a company that emphasises on the foreign distributors and sales offices, to enforce a close relationship along the supply chain. The area managers are the extended link of the manufacturer. The social factors are important for the distributors to feel involved in the manufacturing company. The area manager visit the distributor and meet customers on the foreign market, which Vecihe (distributor MAK) expressed to be important to her as well as their clients. We find this important and an excellent approach to keep the company updated with the sales and customers in other countries.

Good communication is the foremost reason to a well functioning relationship. With the evolvment of the internet there are no excuses not to have fast and regularly contact. A joint intranet makes it possible for external distributors to be updated with the latest information and to feel like a part of the organisation.

Meetings where distributors from different countries gathers and share experiences is a good occasion where the manufacturing company also gives information about new

products etc. These meetings are a good tool for development and are appreciated by the distributors.

### Critical issues

The education program and the seminars arranged for the distributors seems to be appreciated, however the manufacturing company must realize that the distributors usually are small companies with limited budget and can not afford to send their whole sale staff if the manufacturing company does not sponsor the trip.

Another issue that needs to be monitored is the cultural differences that existed between the companies. Differences we found between Getinge and MAK are that Getinge seems to be more bureaucratic and slow moving. This can often be frustrating for the distributor who wants answers within hours. The service standard also differs and the Turkish customers demand the service to be available 24 hours day. This affects the relationship between the distributor and their customers and it can hurt the reputation of the manufacturer in the long run.

The language barrier is another factor we found being unfavourable towards the relationship. In many of the countries where Getinge operates all of the employees does not know English. This makes it difficult in order to educate them and to help them with inquiries. Language barriers are difficult to overcome especially when the product is technically complicated, as it is in this case. However it is important to stress the importance of being able to communicate efficiently and the manufacturing must find a solution to this problem.

The relationship between two companies can vary tremendously; every bond is unique and constantly changing. This takes time and resources to be updated since a

relationship are an unpredictable phenomena rather than a static. Even if it would be easier to manage fixed relationships, it probably will benefit the company in a long period of time. The relationships needs to be changed for the company to develop, even if it's involves some risks.

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