A GLOBAL HIGH-TECH COMPANY’S ATTRACTIVENESS AS A BUYER

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The purpose of this study was to examine a global high-tech company’s attractiveness as a buyer. Originality of this thesis is founded on the supplier perspective, since both attractiveness and value, which are very focal concepts in this research, have been studied mainly from the buyer or customer perspective in business-to-business markets. The theoretical framework is based on theories of industrial marketing and particularly on a conceptual model of attraction in buyer-supplier perspective created by Hald, Cordón and Vollmann. However the aim is not to test any particular theory as such, but to combine existing theory and the data generated to understand attraction in this particular case and context. In this research attraction is understood to result from perceived expected value that is mediated by perceived trust and perceived dependence. According to research settings dependence is taken for granted and thus the main concepts under examination are value and trust.

The data in this research was generated in three layers, and so empirical part of this study comprises of secondary data, four qualitative interviews conducted within the buyer company and five partly quantitative supplier interviews. Despite of the fact that there is a quantitative part included, this study is conducted as a qualitative case study. In the quantitative part the method used was pairwise comparison that is not very often applied as such in marketing related researches, and this can also be seen as an interesting detail of this research.

In this thesis researcher’s interpretation had a significant role. The research process was not traditionally inductive or deductive but abductive. This kind of an approach was a prerequisite for succeeding in this research process, because there was a constant need to redirect the research as the understanding of the subject incrementally grew. As a result of this study three most important factors affecting buyer’s attractiveness in this particular context were found, and they were growth, reliability and innovation and competency development. Based on the findings improvement proposals for the client company were presented.
Tämän tutkimuksen tarkoituksena oli tutkia globaalin huipputeknologiayrityksen houkuttelevuutta ostajana. Tämän tutkimuksen erityislaatuisuus perustuu ennen kaikkea toimittajan näkökulmaan, sillä houkuttelevuutta ja arvoa, joka on keskeinen käsite tässä tutkimuksessa, on tutkittu yritysmarkkinoinnilla lähinnä ostajan tai asiakkaan näkökulmassa. Tämän tutkimuksen teoreettinen viitekehys perustuu teollisen markkinoinnin teorioihin ja erityisesti Haldinin, Cordónin ja Vollmannin luomaan käsitteelliseen malliin houkuttelevuudesta ostaja-toimittaja-suhteessa. Tässä tutkimuksessa houkuttelevuus nähtään muodostuvan koetusta arvonodustasta, johon vaikuttavat koettu luottamus ja koettu riippuvuus. Tutkimusasetelmasta johtuen riippuvuus otetaan annettuna tekijänä ja sen vuoksi tärkeimmät tutkimusenalaiset käsitteet ovat arvo ja luottamus.


Tässä Pro gradu -tutkimuksessa tutkijan tulkinnalla on merkittävä rooli. Tutkimusprosessi ei ollut perinteiseen tyyliin induktiivinen tai deduktiivinen, vaan abduktiivinen. Tällainen lähestyminen oli ehdottoman tärkeää tämän tutkimusprosessin onnistumisen kannalta, koska tarvittiin jatkuvaan tutkimuksen uudelleen suuntaamista ymmärryksen asteittaisesti kasvaessa. Tutkimustulokseta löydettiin kolme tärkeintä ostajan houkuttelevuuteen vaikuttava tekijää, jotka olivat kasvu, luotettavuus sekä innovatiivisuus ja kilpailukyvyn kehittäminen. Tulosten perusteella luotiin toimeksiantajaryrykselle kehitysehdotuksia.
1 INTRODUCTION

1.1 Background for the research

The topic for this master’s thesis originates from a global high-tech company’s (henceforth referred to as the Company) interest in how to strengthen the competitiveness by ensuring the availability of scarce materials that it needs to provide its offering to its own customers. I am examining the concept of attractiveness from the supplier perspective. This is a qualitative case study that is spiced with a quantitative element. The case consists of five supplier-buyer relationships in which the Company represents the buyer side. The empiric data of this research consists of secondary data, qualitative interviews and pairwise comparisons.

According to Dyer and Singh (1998, 660−661), a company’s critical resources may extend beyond firm boundaries, and thus idiosyncratic linkages between companies may be a source of competitive advantage, and this is the case with the Company also. There is an increasing pressure to improve both efficiency and effectiveness of manufacturing and procurement activities in today’s highly competitive environment, and many companies are struggling with ‘Make versus Buy’ dilemma (Mukherji & Francis 2008, 154). As my thesis situates in global business context, it is quite evident that the Company does not manufacture everything by itself, but it has widely outsourced its manufacturing operations and therefore purchasing has got a more visible role in the Company. With the global economy continuing to rapidly expand, companies in general have started to buy more and more instead of manufacturing by themselves, but the outsourcing trend and its benefits has also been criticized (see for example Andersen, Christensen & Damgaard 2008). The main reasons why companies have chosen outsourcing instead of manufacturing by themselves are for example:

- supply chain logistics is becoming less of an issue globally
- margin pressure continues to grow, and customers expect higher quality at lower costs at the same time
• in some industries the supply market is very tight and few options exist (Kumar & Bisson 2008, 50).

These same reasons have contributed also the strategic choices of the Company while it has made its own decisions whether or not to outsource functions.

As Li, Ragu-Nathan, Ragu-Nathan & Rao (2006, 107) argue, effective supply chain management can be seen as a potentially valuable way of securing competitive advantage and improving organizational performance. Initially, my perspective was originating from the supply chain management literature related to logistics and purchasing, but as the research process advanced I redirected my theoretical background to the marketing literature. In fact I found that supply chain management and marketing are overlapping in large extent. If marketing is not seen merely as a separate function in a company, but more as a comprehensive way of thinking that transcends organizational functions, purchasing becomes an interesting element of company’s competitiveness and thus it is in a significant role in marketing. For example, Seth, Sharma and Iyer (2009) suggest that marketing and purchasing should become closer to each other for two major reasons, related to marketing paradigm shift from exchange of goods to provision of capabilities:

1. Marketers have become more solution-oriented than product-focused and that means that they have buy more products and services from third party vendors and this requires deeper involvement of the purchasing department.

2. As the companies are combining customer-centric marketing with build to order manufacturing, marketing and purchasing will have to be better aligned to deliver customer solutions. These new dimensions in marketing-purchasing interaction will also lead to changes in the roles of marketers and purchasers in the supply chain.

According to Grönroos (2010, 402–404) in business-to-business marketing, like in services and consumer durables, the marketing department and a separate marketing function find it difficult to manage or even influence all customer contacts. This is why also other functions have their role on the company’s marketing. Some marketing activities are mainly promise making whereas others are mainly promise keeping. Brown (2005,
3) argues that marketing and sales often have a major role in making promises to customers and generating new business, whereas keeping promises and building customer loyalty is typically considered the responsibility of others in an organization. There can be seen a need to rethink marketing tasks; while conventional role of marketing is to sell company to the customer, a parallel need is to sell customer to the company (figure 1). This implicates that a growing portion of time and resources available to the sales and marketing executives will be spent operating in the internal market place of their own company rather than the conventional market place (Piercy 2009, 862). The clue of this research is namely based on the idea that marketing and purchasing should become closer one another so that a company can improve its overall performance. As Lusch, Vargo and Tanniru (2010, 21) state, a challenge facing all the organizations is better alignment between their competences to create, build and maintain relationships with customers that are the ultimate source of revenue and with suppliers that are the source of inputs. Companies should expand their thinking of the meaning of attractiveness and marketing to concern also the supplier side. This would also mean that the organizational functions should more in touch with each others tasks and also they should have common goals to share so that the company could better succeed in the markets.

Figure 1 The role of internal marketing (Piercy 2009, 862)
Traditionally a relationship with the supplier has been more like an arms-length collaboration, and in the extreme cases both parties of a relationship have believed that the business relationship is a zero-sum game, therefore the only way to benefit was at the other party’s expense. This approach still works with some of the suppliers, but many expected that they are treated as close partners (Moeller, Fassnacht & Klose 2006, 69; Kumar & Bisson 2008, 50). It is realized that understanding the other company's strategy and having compatible ways of working together is important from a strategic perspective and business to business marketing is often concerned with the way in which companies manage strategically important relationships (Hald, Cordón & Vollmann. 2009, 965; Henneberg, Pardo, Mouzas & Naude 2009, 535). Buyers are finding that they need a greater understanding of agile suppliers and the value creation opportunities that are available (Frow & Payne 2011, 230), buyer can for example benefit from a good relationship with a supplier so that value for its own customer is enhanced and at the same time total costs are decreased, and this can create competitive advantage for manufacturing organizations (Cannon & Homburg 2001, 39). Therefore manufacturers have become aware of the role suppliers play in achieving competitive advantage (Ghjisen, Semeijn & Ernstson 2010, 17) and the fact that both parties need to gain value in a relationship if it is meant to be long lasting (Songailiene, Winklhofer & McKechnie 2011, 384).

According to Möller (2006, 914), in order to understand and manage supplier-customer relationships, it is essential to comprehend how both actors perceive value and their roles in value creation. The profitability of a business is dependent on how well the firm’s various practices function in terms of both operational excellence and business effectiveness. How well such practices function and have positive effects on revenues and costs is dependent on how well they are supported by the firm’s suppliers. This means that the roots of a firm’s economic results can be, at least to meaningful extend, traced back to how well the firm’s various practices are supported by its suppliers, in terms of the revenue and cost effects created by this support. Therefore value for customers can be measured in monetary terms. In addition value also has perceptional dimension, for example, trust, commitment and attraction (Grönroos 2011, 242).
The originality of this research lies in the chosen perspective: attraction and value have been studied widely from the customer perspective while supplier perspective has not been very popular subject for researchers. According to Mortensen, Freytag & Arlbjørn (2008, 800–801) looking at companies’ customer and supplier sides, these groups are typically not homogenously delivering and do not require the same physical products and services. And so they conclude that from a manufacturer’s perspective, this brings a rationale to think of customer attractiveness. How can a company work with differentiated approach to be more attractive to customers and suppliers? They further state that concept of attraction is perceived as interesting to companies that depend on commitment from their buyer-supplier, and here interaction and mutual understanding is crucial. This can be the case, where the supplier and buyer must work closely together in joint product development, joint innovation processes and businesses, where high quality or technological standards are crucial. In this particular case the customer needs are mostly strictly specified, the Company is dependent on its key-suppliers and both high quality and technological standards are crucial. Hence chosen perspective seems to be ideal for doing research on company’s attractiveness in this particular context.

The concept of attractiveness has surfaced in discussions within the Company because of the current intensive market situation, and further it has been recognized that in the future competition will still tighten significantly. It means that acquiring critical materials will have an increasingly important role in company’s success in the markets. Suppliers tend to grant their favourite customers a more preferential treatment, for example preferential resource allocation, than to other customers they have (Steinle & Schiele 2008, 11), and in addition if a company is attractive as a buyer it will influence the supplier to act according to its wishes (Ellegaard, Johansen & Drejer 2003, 352). The Company must be an attractive business partner in the eyes of key suppliers to be able to provide an offering that has real value for its customers. The concept of attraction is a very important concept to consider especially when some irreplaceable material or component is scarce in the global sense and it is used by the competitors in the company’s industry and also by other high-tech companies. By improving its attractiveness the Company would most certainly enhance its competitiveness. This is the reason why the Company wants to know the basis that their suppliers use when they prioritise their
customers, how do they evaluate the Company’s attractiveness at the moment and how could the Company improve its attractiveness.

1.2 Research problem

The purpose of this research is to find out what do the suppliers value in a business relationship with a global high-tech company. To solve this problem and find an answer two research questions are addressed:

1. What are the elements of global high-tech company’s attractiveness from the supplier perspective?
2. Which are the most significant factors that the supplier’s use when they evaluate the attractiveness of a buyer in this particular context?

The purpose is not straight forwardly to test one existing theory, but to match the dimensions and themes that emerge from the data of this case study to the existing theory.

1.3 Structure of this thesis

My challenging aim is to provide transparent, thick, rich and complete description of my research, so that the reader can my follow actions and thoughts (Gummesson 2005, 315). This research consists five different parts that are aiming at answering the research problem and the research questions addressed, and they are presented chronologically as they actually occurred. In every part the understanding of the case, or ‘the real world’, as well as theoretical understanding incrementally strengthens:

1. This first and the second chapter aim at introducing this case and describing my approach and the point of view to the subject under examination.
2. In the third chapter the concept of attraction is discussed in general level and the basis for theoretical framework is build up. This first part is mainly theoretical, but there is also secondary data affecting in the background.
3. In the fourth chapter the theoretical framework is elaborated to fit the context of this research by combining theory base to the data generated in interviews made
with representatives of the Company. In this phase the factors affecting attractiveness in this context are created.

4. The fifth chapter includes empirical data gathered from interviews made with the Company’s suppliers. Pairwise comparison is used in this phase to find out which of the selected factors are the most important ones for suppliers as they are evaluating buyer’s attractiveness.

5. The concluding results and reflections are presented in chapters six. As managerial implications based on the results I will give proposals how the Company could improve its attractiveness based on this study. I will finish this thesis by evaluating the learning process that I experienced.

1.4 Defining the case

Competition in the Company’s business environment is fierce, and this can also be seen in the competition on the needed critical components and materials and further the competition on the best suppliers. In addition it is not only the companies within one particular industry that are buying the same kind of components and materials from the same suppliers, but also high-tech companies globally in general. It is a real managerial challenge to succeed in purchasing, and also in the whole supply chain management as well, in order to create competitiveness and in that way affect the overall success of the Company.

This research concentrates on attractiveness of a global high-tech company from the supplier perspective. Suppliers typically provide physical resources or services to a business (Frow & Payne 2011, 230). It is important to note that the focus in this thesis is on direct hardware materials, and more precisely on components; hence software, services and indirect materials are excluded. Suppliers can be roughly divided in two:

1. those who develop, manufacture and market their own products
2. those who mainly manufacture the products according to customers orders, i.e. they do not have their own products but they specialize in certain material or product (Blombäck 2009, 224).

The Company also uses this kind of categorization and in this research the interviewed suppliers can be categorized to the second group. Although they may have their own
products, for this customer they manufacture customized products. This means that it could be justified to use term *subcontractor* instead of *supplier*. This limited supplier segment chosen for interviewees is mostly caused by the choices made according to available resources, but the initial interest was in suppliers in general level, so the term *supplier* is used in this research. Further I made the decision that the word *buyer* stands for the customer in a business relationship, not *customer*. This choice has been made to avoid the confusion with the Company’s own customers.

For the Company there is naturally a plethora of different kind of suppliers and multitude of different kinds of relationships. From my point of view, in this specific context there is no point to examine sporadic transactions with random suppliers used for ad hoc purposes. I concentrate on suppliers that are right now doing business with the company and they are perceived as key-suppliers also in the longer run. Thus in this research the focus is in *existing relationships*, so the companies have experience of working together, and the perceptions of value include past, present and future dimensions. This means also that individuals working with the relationships are inevitably bound by what has previously happened between the interacting companies (Tikkanen & Alajoutsijärvi 2002, 29). Also according to Medlin (2004, 186), the present of any relationship is conditioned by the past and future. Eggert, Ulaga and Schultz (2006, 21) argue that it appears reasonable to assume that the perceived importance of the different value creating dimensions varies as a relationship moves through its life cycle. Because buyer-supplier relationships are dynamic phenomena, doing a research on long-term collaborative partnerships would require a longitudinal approach (*ibid*. 25). This also means that my possibilities to really dig deep in to the meaning of relational modes are somewhat limited in this study. With one single interview per interviewee I am only able to take “a snapshot” of the relationship and try to make my own interpretations based on that.

Network perspective has been already for long focal topic many scholars in marketing, especially within Nordic school of marketing thought and IMP-group (see for example Anderson, Håkansson & Johnsson 1994; Håkansson & Snehota 1995; Gummesson & Polese 2009). From the recent advances in marketing point of view, for example Vargo (2009, 378) states that relationships are not limited to dyads but rather are nested within
networks of relationships and occur between networks of relationships. On the other hand, network theories have faced criticism. Cova, Prérot & Spencer (2010, 859–860) argue that more than twenty years of development, the industrial network body of theory does not seem to fit with today’s changing reality of exchange between companies. This kind of thinking seemed to be appropriate to account the industrial relations becoming increasingly global and overcoming all kinds of boundaries from the late 1980’s to early 2000’s, but now situation has changed. They state that the world has entered the reverse movement of fragmentation, and this change has impacted the way inter-organizational exchanges are organized.

In this research I will concentrate on the supplier–buyer relationship as a dyadic relationship, but I do agree with Ritter, Wilkinson and Johnson (2003, 175) on their view that a firm is embedded in a network of ongoing business and non business relationships, which both enable and constrain its performance. From this perspective firms should not be seen in isolation but as being connected in business systems. It is not purpose to examine actors’ position or links in a network, but attraction of an actor in a business relationship. Despite of this perspective it is important to note that companies are part of different networks that may affect their decision making, competitiveness and success in the business markets.

I admit that concentrating on dyads restricts making generalizations based on the results of this research. On the other hand this decision to focus on dyads is anyway mostly a question of limited resources. I am sure that it would have been interesting to do the research for example in context of value creating networks, but it would have made this research far more complex and challenging. The Company is linked to thousands of other network actors in a way or another, which is quite a daunting fact for any researcher I believe. Keeping it simple and focusing on dyadic relationships makes it much easier to find reasonable boundaries for conducting a research at this level. Möller (2006, 914) states that relationships form the constituent units of networks, so the results of a research that is concentrated on dyadic relationship are also relevant for networked value creation. And further according to Ellegaard et al. (2003, 353) the dyadic relationship is in the centre of attractiveness approach, but influences from other net-
work actors such as suppliers’ suppliers, customers and alternative suppliers, need to be counted in when building up attractiveness.

In conventional marketing management thinking seller is the aggressive party which takes the initiatives and buyer is persuaded and managed to behave according to the supplier’s desires. But this is not a universal truth in B2B-marketing and organizational buyers demand from their suppliers that value propositions are formed according to the buyers’ desires and specifications (Gummesson and Polese 2009, 342). Senior managers of companies serving business markets have been getting frustrated to the fact that they have been casted as “commodity” suppliers. Their customers have been effective in demanding more but at same time they have been unwilling to pay for it. The constant need of cutting the costs means that the pricing pressure, which such customers place on their suppliers, is not likely to diminish. Thus this kind of “business as usual” will not provide solutions worth pursuing (Anderson, Kumar & Narus 2007, 3). According to study conducted by Eggert et al. (2006, 25), value creation in business relationships is dynamic by its nature. For suppliers this means that they face the challenging task of assessing and managing their value creation potential for different customers and customer segments. In addition they need to anticipate and respond to value changes to avoid dissatisfaction in the partnership. To meet maintain successful partnerships with their customers, suppliers must be able to consistently meet changes in their customers’ value demands. This is the way the customer–supplier relationship is presented in the present customer-centric way of thought. But the main interest in this study is in such buyer–supplier relationships in which we face the situation that supply is limited and buyer has to fight for the scarce materials. Then the ball is passed to the supplier side and the real question is: What are the bases for customer selection in this kind of situations?
2 RESEARCH METHODS

2.1 My approach for doing this research

Pre-understanding is what we know about the phenomenon of study when start out research expedition (Gummesson 2005, 314). My pre-understanding was based mainly on working in the Company. I worked there as a buyer, so I had daily cooperation with suppliers and other stakeholders around the world. I was not working with any of the interviewees or with their companies, and my tasks were concentrating on daily operations in the inbound logistics of the Company. Anyway, I had some kind of hunch of what kind of findings could surface from the data. Looking back now, it is easy to say that my subjective perceptions were not exactly in line with the results of this thesis. In this way my research was successful, because my understanding of the topic improved as I reached the point of research results (Gummesson 2003, 484). Nevertheless I think that it was easier for me to conduct the interviews as I had my own experiences of the environment and the context in which the companies operate. Of course my pre-understanding has also affected the choices made along the research process, and the path would have been different from another starting point.

My approach to this case study is abductive, which basically means going back and forth’ from one type of a research activity to another and between empirical observations and theory. This way the researcher is able to expand his understanding of both theory and empirical phenomena (Dubois & Gadde 2002, 555). My aim was to go back and forth with the theory and data, so that I would be able to match the data with existing theory and to redirect my research along the way if necessary. This kind of way of doing a research refers to the systematic combining (figure 2) that can be described, according to Dubois and Gadde (2002, 556), as a non-linear path-dependent process of combining efforts with the ultimate objective of matching theory and reality.
My actual research process is depicted in figure 3. I started the research by getting familiar with the literature related to the topic, guided by my pre-understanding created during my studies and experiences gathered in the Company. The next step was to explore the secondary data created by the Company. The data included research on supplier satisfaction and the Company's attractiveness. The third phase included consolidating the theory base guided by the secondary data to prepare and conduct the internal interviews. Based on these interviews, secondary data, and theory I created the factors of attractiveness in this context. In the final data gathering phase I conducted the supplier interviews. Then I was able to create the concluding results and conclusions of the data gathered and incrementally grown theory base.
My research process advanced somewhat like I had planned beforehand, but I had to redirect my research while my understanding on the topic grew incrementally. The main idea of the research did not change, but there was a significant change for example in the data generation phase when I decided to use the pairwise comparison method. This research supposed to be conducted purely by qualitative methods, but when I was approaching the final data generation phase, i.e. supplier interviews, I realized that I could not grasp the phenomenon in question without quantitative approach. This research is made according to the guidelines of qualitative case study, but there have been included also quantitative elements.

2.2 Positioning of this research in the field of marketing

Paradigm can be seen as a set of basic beliefs that deals with ultimates or first principles. Paradigm is based on ontological, epistemological and methodological assumptions. It represents a worldview that defines the world, individual’s place in it and the possible relationships to that world and its parts for it holder (Guba & Lincoln 1994, 107). Ontology relates to nature or substance of the world, epistemology is focused on
how human beings can acquire or develop knowledge of the world, whereas methodology is focused on methods and techniques. Ontology is the primary metatheoretical dimension that strongly influences epistemology, methodology and etiology (i.e. the causes underlying the world). Ontological, epistemological, methodological and etiological assumptions constitute the “metatheories” or “philosophies of science” of scholars and researchers, which are positivism, postmodernism, and critical realism (Sousa 2010, 461).

Management research has strongly been dominated by positivism (Sousa 2010, 462) and theory creation in marketing has traditionally been dominated mostly by logical empiricism (e.g. Arndt 1985; Easton 2010). But recently there has been change in this conventional thinking of doing research in marketing. From my perspective the most interesting ones are postmodernism and critical realism. For the positivist the world is objectively ‘given’, postmodernists argue that world is socially and discursively constructed by humans and for critical realists the world is complex brought about by interlocking causes and metatheoretical level (Sousa 2010, 461−462).

Critical marketing studies is an increasingly popular subject (Tadajewski 2010, 210), and I have positioned my research to be under critical realism in the field of science. This positioning is not really a very tight one, and I might not exactly follow critical realism in this research, but I think it is the closest to my own ontological and epistemological thoughts. I believe that meaning of science is to constantly try to achieve better understanding of reality, and we incrementally get closer to truth-like understanding of the world.

For a critical realist ontologically there exists a reality “out there” independent of observers. A naïve realist epistemology would assume that this reality can be readily accessed, which is often the case with researchers in natural sciences because their ability to measure accurately and their access to controllable and/or closed systems. But these conditions rarely occur in social systems. As a result critical realists accept that the world is socially constructed, and this creates tension between these contradictory views. This is resolved by arguing that the world is socially constructed but not entirely
so. The ‘real’ world breaks through and sometimes destroys the complex stories that have been created in order to understand and explain the situations we research (Easton 2010, 120). I feel that I have been mostly been dealing with the world of business markets that is socially constructed and complex, but deep inside I think, or at least hope, that the ‘real’ world is out there. Maybe we cannot ever reach it, but at least incrementally get closer to it, nevertheless our theoretical ivory towers may collapse every once in a while.

Critical realism is particularly well suited to use in case study research, because it justifies the study of any situation, regardless of the number of research unit involved, but only if the process involves thoughtful in depth research with the objective understanding why things are as they are (Easton 2010, 119). The ultimate goal of critical realism is explanation. For a researcher, who is practicing science from the critical realism’s point of, variables are measures of entities and not the entities themselves. The variables can only register change and not its cause, and because of this view the attention is directed to the fundamental nature and capabilities of the things that are being researched rather than simply their measurable properties (Dubois & Gibbert 2010, 131). As a conclusion based on my understanding and the justification presented above, I feel that I have positioned my research so that I am able to create a research that reflects my own way of thinking.

2.3 Qualitative case study with a quantitative element

“In marketing quantitative research can even be a priori defined superior to qualitative research, and this claim is on such divine level that no evidence is necessary; it is a God-given fact” (Gummesson 2007, 231). Despite of this conventional thinking of how research in the field marketing should be done, this study will be based on qualitative case study research methods. As Newman and Benz (1998, xi) argue, qualitative and quantitative research methods do not have to be considered as mutually exclusive or interchangeable but interactive places on methodological continuum based on the philosophy of science. The research problem has guided me through a path from theory to empirical data. Along the way the choices made have transformed the intended methodology so that it combines elements from both qualitative and quantitative research. My
opinion is that these facts have made this research far more interesting, and at the same
time far more challenging for me as a researcher. I have had to make a lot of interpreta-
tion to fit theoretical and empirical elements of my research. I have not been able to
follow in one particular theory and use one particular method, but instead I have had to
build this thesis from ‘bits and pieces’.

2.4 Case study research

Case study research is widely used by thesis workers (Koskinen, Alasuutari & Peltonen
2005, 154), and it is probably the most popular research method for researchers in in-
dustrial marketing (Easton 2010, 118). Business researcher makes the case ‘a case’ by
carrying out the research, so they transform the object of study into an object of inter-
pretation and understanding and by doing this also define the boundaries of the case.
Case study can be used to present complex and hard-to-grasp business issues in an ac-
cessible, vivid, personal, and down-to-earth format. It should be understood more as a
research approach or research strategy rather than a method (Eriksson & Kovalainen
2008, 116–117). It also forces to understand companies comprehensively in realistically
depicted environment (Koskinen et. al, 2005, 156).

A central feature of all case study research is the construction of the case or several
cases. The research questions are always related to understanding and solving of the
case. The main purpose is to investigate the case in relation to its historical economic,
technological, social and cultural context (Eriksson & Kovalainen 2008, 115). Case
studies have been defined as research situation where number of variables of interest far
oustrips the number of datapoints (Yin 1994, 13). According to Gummesson (2007,
2009) case study research allows a holistic systemic approach with an unlimited number
of variables and links. Further it allows an inductive approach without considering ex-
tant theory, but can also be deductive or a combination of the two. This idea is in line
with the abductive approach presented above. Theory, method and empirical phenom-
enia can be seen as the three cornerstones of research (Dubois & Gibbert 2010, 129);
their interplay is illustrated in figure 4.
Case study research is essentially eclectic with respect to the kinds of data that might be collected (Easton 2010, 124). Qualitative case study research is also flexible and holistic and therefore a good method of complex, context-dependent empirical phenomena (Gummesson 2007, 229), and I personally think that I have been studying quite a complex and context dependent topic. The research area or even the most important concepts in this research are not very easy to define. Gummesson (2007, 229) uses term complexity to represent all those factors, links and other circumstances that make research difficult and uncertain. Being complex means that multiple factors and relationships are interdependent. Context is therefore major dimension of complexity. As Gummesson (2007, 228–229) argues, business is in constant flux and it is only partially predictable. Methodology must be responsive to complexity, or research in management will neither make a contribution to theory, nor to practice. Gummesson (2005, 318) also states that customers do not live isolated lives and consume one service or product at a time as if these were stand-alones, but they live on a context. I think that this applies very well also in the business markets.

This study is an extensive case study research, since the main interest lies in investigating, elaborating and explaining a phenomenon, not the cases themselves (Eriksson &
Kovalainen 2008, 123). Extensive case study research focuses on mapping common patterns, mechanisms and properties in a chosen context for the purpose of developing, elaborating, or testing theory (ibid. 119). In this research I am using multiple cases in the sense that each of the suppliers selected to be interviewed have idiosyncratic relationships with the buyer company that is the common nominator for these cases. The aim is not to test any particular theory, but more like elaborate and combine existing theory to fit this particular context.

To conclude the theory presented above, this particular case study follows Easton’s (2010, 119) definition of case study: ”…research method that involves investigating one or small number of social entities or situations about which data are collected using multiple sources of data and developing a holistic description through an iterative research process”.

2.5 Data generation

The data of this research includes both secondary and primary data. Secondary data used is company’s internal confidential materials, and it means that I do not refer to those materials directly in my thesis, but they are guiding my research in the background. The actual empirical data is generated through interviews made with company’s personnel and interviews with suppliers’ representatives.

B2B environment is often complex and thus demanding on the data and knowledge that can be generated (Gummesson 2003, 483). Gummesson (2005, 312) prefers term data generation to data collection since data in social environment do not consist of objects, which can be readily collected. The data for a research is generated, meaning that it is constructed by the researcher. Data is often for example created in interaction with a respondent in an interview. I tried to be as receptive as possible for all the information that the interviewees have shared and I tried to further probe deeper explanations for the themes and the ideas that surfaced during the interviews.

In a qualitative research the researcher is the most important instrument and whether we acknowledge it or not analysis, or interpretation, is dependent on individual’s intuition
As Gummesson (2005, 311) states, data collection is tremendously important, but it is just as important what you do with the data once collected—that is how to make sense of that data. Critical realists accept that any explanations are necessarily fundamentally interpretivist in character (Easton 2010, 124). Theory in this research is affecting the basis and creates the frames, or body, for the research. The empiric parts of this study along with interpretative touch of the researcher create the soul of this research.

In this research data is generated in three layers:

1. theoretical background and secondary data
2. internal qualitative interviews
3. supplier interviews including pairwise comparisons and performance ratings

2.6 Analysis of the data

Analysing of the data that is gathered in many layers is a challenging task, and there is no single rule of thumb for the analysis. It is difficult to separate different phases of research process, because data generation, analysis and interpretation are partly simultaneous (Gummesson 2005, 309). From the literature on qualitative analysis can be found ‘a smorgasbord’ of techniques to structure data (ibid. 313). The general guideline is that researcher should choose a method that suits best for the set objectives and the research problem (Hirsjärvi, Remes & Sajavaara 2005, 212).

In quantitative analysis researcher tries to describe the phenomenon through numbers and their systematic and statistical connections (Alasuutari 1999, 34.) whereas qualitative methodology is primary directed to understanding the complex and the elusive in a systemic perspective more than to establish unambiguous cause and effect relationships between single variables. It is built on the notion that life cannot be broken down into well-defined constituent components. Qualitative research is characterized by data collection, analysis and interpretation in part taking place simultaneously, and tentative conclusions being drawn constantly. The key to qualitative research is comparison; data are compared with data, with existing theory, and with the results from previous re-
search (Gummesson 2005, 312). In this research I have compared quantitative and qualitative data to existing theory and also for the results from previous researches made internally in the Company. Interpretation of theory and the data gathered was constant during the research process. In the qualitative parts of this research I have use thematic analysis method, and the aim is to find themes that emerge from the data gathered and then interpret their meaning. This method was used while conducting the first and second phase of data generation. The third phase continues interpreting the themes that had already emerged. In this phase the results from the pairwise comparisons are analysed quantitatively following the requirements of the method, so this creates the ‘quantitative spice’ for this qualitative case study research. The data from the pairwise comparisons were analyzed using the Excel spreadsheet program.
3 THEORETICAL BACKGROUND

3.1 Secondary data and exploration of existing theory

In this chapter my aim is to introduce the constituents of attraction at the general level. One option for answering, at least partially, the research questions is to reanalyze secondary data (Saunders, Lewis & Thornhill 2009, 256). In this research the starting point was the Company’s former researches on supplier satisfaction and company’s attractiveness. Secondary data included both qualitative and quantitative data. Based on this data and existing literature of company’s attractiveness I created the base and guiding themes for internal interviews presented in the next chapter. At the beginning my literature exploration I emphasized more on supply chain management that is not so much presented below. When I became more familiar with the topic, I realized that there are more elements in marketing literature that are suitable for my perspective. Because of this insight I decided to emphasize more the marketing point of view.

3.2 Attraction

Customer attractiveness is not a static approach and the concept has many different aspects (Mortensen et al. 2008, 808). The simplest way for a company to choose most attractive customers would be according to their profitability or imposing a hurdle for return on investment (Winer 2001, 95). But this is not the whole truth, since even an unprofitable customer can sometimes be very important for a company for other reasons (see for example Kim & Lee 2007).

Attraction has received the greatest attention within social exchange theory, and from that perspective its determinants have been viewed as primarily socially in nature. Within marketing literature, the concept of attraction has been expanded to incorporate economic and resource elements (Harris, O’Malley & Patterson 2003, 14). The concept of attractiveness has been described differently by different authors. Many of these find
that the purpose of being attractive is to create the ability to manage and optimise value creation in the relationship and at the same time try to increase buyer-supplier commitment and thereby ensure allocation of resources. My research is particularly based on the Company’s interest in allocation of scarce resources. On the other hand, attractiveness has been described in different ways over time, and the concept has had different meanings and different aspects of relationship building. Others have seen attraction as a central concept in complex relationships, where there is need for creating and affecting commitment from the buyer-supplier relation and thereby extend the possibility for value creation (Mortensen et al. 2008, 801).

Dwyer, Sheo & Oh (1987, 16) describe attraction as the initiation process of the exploration phase in the relationship development process. They see attraction as a reward-cost outcome in excess of some minimum level, resulting from the degree buyer-supplier relationship. According to them, rewards are derived from the tangible and intangible gratification of association, and costs include economic (money, inconvenience) or social deterrents. But attraction should not be seen as something that exists only at the early stage of relationship. For example Harris et al. (2003, 12) define attraction as the extent to which relational partners perceive, past, current, future or potential partners as professionally appealing in terms of their ability to provide superior economic benefits, access to important resources and social compatibility.

Some authors have described attraction as the force that draws people and companies together and for example Wilkinson, Young & Freytag (2005, 673) depict attraction between two companies based on value to sexual attraction between human beings. Instead of making babies, firms co-produce value for each other and other firms in their networks through their interactions and adaptations over time. They also relate value to the benefits and costs to each party participating in relation. Relations are established when both parties perceive a net gain from participation, and relationships are sustained when they are over time exceeding expectations of perceived alternatives. It has also been argued that the attractiveness concept gives an alternative explanation to power and it is not a static approach, but it will change according to the relationship stage (Mortensen et al. 2008, 812).
According to Gomes-Arias and Montermoso (2007, 983–985) high technology companies base their initial reference customer selection on the following driving forces:

- Revenue generation: paying customers are expected to contribute the bottom line.

- Product development and improvement: high-technology products often require major development and improvement efforts after the launch of the product and a close interaction with right customer can add substantial value to this process.

- Learning about more than just the technical aspect of the product: high-tech companies need to gain more knowledge and experience about expected levels of customer service, effective selling points, and the soft side of the business.

- Promotion: satisfied reference customers are valuable for the supplier’s future promotion.

- Strategic pre-emption: the adoption of a high-tech product often requires a long term commitment by the client organization not only to the product itself but for the technology. By choosing the right customer the supplier can succeed also better with the other customers within an industry.

- Cost leverage: a supplier can benefit from developing its product according to the customer’s complex requirements.

Even though the driving forces described above are generated from a research concentrating on initial customer selection, many of these are applicable for the purposes of my study also as can be seen later on.
Table 1 Elements of attraction presented in scientific publications (adapted from Kettunen, Aminoff, Kortelainen & Tanskanen 2009, 5)

<table>
<thead>
<tr>
<th>Authors</th>
<th>Elements of attraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiocca (1982)</td>
<td>1) Market factors&lt;br&gt;2) Competition&lt;br&gt;3) Financial and economical&lt;br&gt;4) Technological factors&lt;br&gt;5) Sociopolitical factors</td>
</tr>
<tr>
<td>Olsen and Ellram (1997)</td>
<td>1) Financial and economical factors&lt;br&gt;2) Performance factors&lt;br&gt;3) Technological factors&lt;br&gt;4) Organizational and cultural factors and strategic factors&lt;br&gt;5) Ability to cope with changes in the environment and safety record of the supplier</td>
</tr>
<tr>
<td>Ellegaard et al. (2003)</td>
<td>• Economically based&lt;br&gt;• Resource based</td>
</tr>
<tr>
<td>Harris et al. (2003)</td>
<td>• Economically based&lt;br&gt;• Resource based&lt;br&gt;• Socially based&lt;br&gt;Attraction is created and maintained both between companies and individuals&lt;br&gt;Similarity and familiarity</td>
</tr>
<tr>
<td>Hald et al. (2009)</td>
<td>Perceived expected value&lt;br&gt;Perceived trust&lt;br&gt;Perceived dependence</td>
</tr>
</tbody>
</table>

In table 1 I have summarized the most important elements of attraction from my research perspective described in scientific journals. The most applicable model for my research purposes was presented by Hald, Cordón & Vollmann in Industrial Marketing Management in 2009 (figure 5). The article explores how firms are attracted to one other within buyer-supplier dyads. The writers argue that in order to improve value creation and value transfer in buyer-supplier relationships, it is not enough to optimize and coordinate management and control systems, but draw attention to ways of managing in relational modes. The article adopts a conceptual approach drawing on social exchange theory (that has roots in economics, psychology and structuralism) and existing research on dyadic relationships and buyer-supplier value. In the article the conceptual discussion is summarized in the following expression of a party’s attraction in a relationship:
Party’s attraction = F[P(Expected value); P(Trust); P(Dependency)] (Hald et al. 2009, 960–962).

The understanding of attraction developed by the writers of this article comprises three major components:

1. The core of the attraction is the attractive party’s perceived expected value of being associated with the attracted party, a composite of both extrinsic and intrinsic value components.
2. The attracted party’s perceived trust in the other, with the ability to moderate the perceived value.
3. The attracted party’s perceived dependence on the other party, with the ability to moderate the perceived value too (Hald et al. 2009, 968).

This conceptualization of attractiveness is the basis for my theoretical framework, but as can be seen in figure 5 there are a lot of abstract concepts included in this model. There-
fore I needed to delineate those concepts to those that are really relevant in this case. I will continue by explaining how the three main concepts are understood in this research. In chapter four I will formulate the constituents of attraction in this particular case, by combining other existing related theories and the data generated from the internal interviews to the conceptual model of attraction in buyer-supplier relationships.

3.3 Value

In this research attraction is mainly understood as described in “A conceptual model of attraction in buyer-supplier relationships” (Hald et al., 2009). This means that the core of attraction is perceived expected value and the factors mediating this value are trust and dependence. Also from those other definitions of attraction presented above I came to a conclusion that the most essential secondary concept while doing a research on attraction is value. This insight was both intriguing and challenging. The most challenging part relates to the multidimensional and somewhat ambiguous nature of value (see for example Sánchez-Fernández & Iniesta-Bonillo 2007). I think that this multidimensionality and ambiguous nature also concerns the concept of attraction. As value has the utmost role in this research, I first need to answer the question: What is value in business markets, and more specifically how is value perceived by a supplier?

3.3.1 Customer value in business markets

In marketing, most of the studies relating to value in business-to-business markets have been concentrating on customer perceived value, while there is less than a handful of studies empirically examining supplier perceived value (Songailiene et al. 2011, 384). Therefore I believe that investigating first customer value in business markets will help me to open up the supplier value more easily. And the other reason why I enlarge on this topic is that it also relates to on the buyers own success in the business markets.

In a simplified way value can be seen as an overall assessment of what is received and what is given (Zeithaml 1988, 14). In business markets it is critical for organizations to understand their offerings and learn how they can be enhanced to provide value for their industrial customers (Lapierre 2000, 122). In both marketing practice and academic
discussion value for customers has become a key concept (Grönroos 2011, 245) and creating superior customer value has now already for a long time been seen as the base for a company’s long-term survival and success (see for example Woodruff 1997) and especially in business markets value is considered as the cornerstone of the marketing management process (Anderson & Narus 2004). Anderson (1995, 384) even stated that value creation (and value sharing) can be regarded as the *raison d’être* of collaborative customer-supplier relationships. Also according to Eggert et al. (2006, 120) creating superior value to the customer is essential for creating and maintaining long-term customer-supplier relationships. Ulaga & Eggert further (2006, 128) define customer-perceived value in a key supplier relationship “as a formative higher-order construct that represents the trade-off between the benefits and costs perceived in the suppliers core offering, in the sourcing process, and at the level of customer’s operations, taking into consideration the available alternative supplier relationships”.

Customer value strategies to grow profits and ensure long-term survival require that managers understand what customers want or value from products, services, and supplier relationships. But suppliers cannot depend on what they currently know about customer value to hold on in the future, because customers periodically change what they value (Flint, Woodruff & Gardial 2002, 102). Customers’ perspectives on value are dynamic and sometimes even in constant flux and thus it requires anticipatory capabilities on the part of suppliers (Flint, Blocker & Boutin Jr. 2011, 219). According to Ulaga and Eggert (2005, 75–76) characteristics of customer value are:

1. Customer value is a subjective concept.
2. It is conceptualized as a trade-off between benefits and sacrifices.
3. Benefits and sacrifices can be multifaceted.
4. Value perceptions are relative to competition.

According to service logic of the Nordic School of marketing thought, customers use resources made available for them in usage processes, where the use of these resources renders value for them. Value for a business customer does not emerge from one resource only, but from the whole spectrum of supplier-customer interactions that support successful use of this core resource. The success of a supplier is not only dependent on
how well it manages to provide for example a production machine or administrative system to a customer. Value for the customer is also dependent on how well the time tables are kept, the timing of the deliveries, how well the solution for the customer is made operational, how it is maintained. In addition the supplier’s invoicing systems, ways of handling quality problems and service failures and how other customer-influencing processes are handled also have an impact on what value the customer manages to create out of the core product (Grönroos 2011, 240)

### 3.3.2 Supplier value in business markets

This thesis concentrates on attractiveness from the supplier perspective and thus value should also be viewed accordingly. Supplier value is an under-researched area, if compared with customer value (Purchase, Goh & Dooley 2009, 4). But as Woodruff and Flint (2006, 191) argue, sellers, as well as buyers, also experience valuation process, and marketing should have an equally in-depth understanding of their value.

Marketing managers’ role has become more and more challenging as they have to demonstrate profitability of their marketing actions down to the level of their individual customers at the same time as customers are expecting the suppliers to increasingly customize their products and services to meet their demands (Ramani & Kumar 2008, 27). The pressure from business-to-business customers for the delivery of seamless service from suppliers has never been higher, and this can also be seen in this research context as the Company is depending on its suppliers to fulfil the requirements of its own customers. The executives of marketing and sales in supplier organizations are facing the challenge of managing cross-functional, cross-divisional and cross-boundary relationships around customer value and developing capabilities to meet the requirements of strategic customers for collaborative relationships (Piercy 2009, 857).

From a superficial literature review on customer value in business markets one could easily come to a conclusion that monetary value is the most important dimension of value for a supplier. Customer value management represents the extent to which the firm can define and dynamically measure individual customer value and use it as guid-
ing metric for marketing resource allocation decisions (Ramani & Kumar 2008, 29). For example Anderson et al. (2007, 26) state that value in business markets is worth monetary terms of the technical, economic, service and social benefits a customer firm receives in exchange for the price it pays for the offering. This can be seen also in the definition of customer value management; it is a progressive, practical approach to business markets that has two basic goals:

1. Deliver superior value to targeted segments and customer firms.
2. Get an equitable return on the value delivered (Anderson et al. 2007, 3–4).

From this perspective it is quite justified to suppose that money makes the suppliers’ world go around, and in case of scarce supply market mechanism tend to work and thus the one who pays more gets the goods. As Wagner, Eggert and Lindeman (2010, 841) state, companies should understand value creation and value appropriation as two sides of the same coin. Too often companies drift into a zero-sum situation where both are eating the same cake and the one who gets the bigger portion is the winner.

From those who have really focused on supplier based value, I present here a description by Walter, Ritter & Gemünden (2001, 372) who argue that supplier perceived value is based on seven functions (figure 6) that can be divided into direct functions which have a direct influence in the performance of a company in a relationship and indirect functions which have no direct influence but are important for the future development of the company. Contributions of these functions are:

- The \textit{volume function} contributes securing the necessary break-even volume; i.e. supplier can operate on a profit-making basis.
- The \textit{profit function} contributes to positive cash flow from the relationship.
- The \textit{safeguard} function contributes obtaining stability and control in sales in sales terms within a dynamic market place.
- \textit{Technological knowhow} and creative ideas are obtained from customer through innovation function.
- \textit{Gaining access to new markets} is represented by market function.
- The \textit{scout function} captures the possibility to gain critical information through customers.
• The *access function* allows access to third parties and makes those actors reachable, open and understandable.

Figure 6 Functions of a customer relationship (Walter et al. 2001, 369)

I believe that also other than economic dimension have significant effects for supplier perceived value. The relationship perspective that has became popular in service and business marketing research and practise involves the application of the value concept to business relationships. Recent research in marketing on the value of relationships has been concerned with identifying the various dimensions of relationship content that can give the origin to costs or benefits for the parties involved (Corsaro & Snehota 2010, 986). The total relationship between a supplier and a buyer is a combination of economic and social dimensions (Mukherji & Francis 2008, 160). Grönroos (2009, 354) states that on consumer markets value is often a perception and is difficult to measure in monetary terms. Business is also always conducted by human beings, so in the business-to-business markets too value takes the form of a perception, for example trust in and commitment to a supplier, but only partly. Corsaro & Snehota (2010) studied companies in the ICT-security business and formulated in their article three propositions regarding the meaning of value in the context of supplier-customer relationships:
1. The economic value of a business relationship is always *actor specific*; it originates in the spatial and temporary context of the actor and cannot be determined from the features of the relationship or of the actor.

2. The value of a business relationship is *phenomenological* and thus judged on only a limited set of elements that the actors involved use to define and assess it.

3. The value of a business relationship is always *emergent and mutually enacted as parties interact*. Actors continuously confront their value perceptions, and asymmetries in perception influence their conduct.

These propositions support my view that there is not a simple comprehensive concept of value that can be used regardless of the context. There are always so many variables affecting the perception of value, whether it is perceived by a consumer or a company, that there may be significant differences between industries or even companies within an industry. As I already stated above, value is the core of attractiveness, so these propositions represent for me also ideas that can be applied to a concept of attractiveness also. Looking at value and attraction from this point of view further justifies the purpose of this thesis, which is to examine attraction in a specific context.

### 3.4 Trust

Trust involves the evaluation of a partner’s reliability and integrity, which generates confidence in the partner’s future action that support cooperation (Palmatier 2008, 77). If both parties in a buyer-supplier relationship understand and honor the expectations of another party, mutual trust can be built and companies can make meaningful progress in pursuing the opportunity for shared benefits (Gullet, Do, Canuto-Carranco, Brister, Shundricka, & Caldwell, 2009, 337). Trust has a moderating influence on expected value perception of actors in a dyadic relationship. When the trust level is high, the resultant attraction in the dyad is greater, and if a dyad actor is not trustworthy, the attraction goes down. Trust is highly subjective and influenced by day-to-day actions and especially negative effects occur rapidly (Hald et al. 2009, 964).

There are many definitions for trust, but in this thesis the concept of trust is understood according to Mayer, Davis and Schoorman (1995) as in the article by Hald et al. (2009).
Trust related components can be divided into three groups: ability, benevolence and integrity:

1. **Ability** is a set of competencies that allow a party to perform some area.

2. **Benevolence** is the extent to which a trustee is believed to want to do good to the party that trusts it aside from an egocentric profit motive.

3. **Integrity** is characteristic related to the trustee and this is realized if the trustee adheres to a set of principles that the party that trusts it finds acceptable (Mayer et al. 1995, 715−719).

Ability is included to value in this research (innovation and competency development factor). Factor support relates to benevolence, whereas reliability, personal relationships and responsibility factors relate to integrity. These factors are discussed more in detail in chapter four.

### 3.5 Dependence

Commitment represents a desire to maintain a valued relationship and thus an exchange partner’s relationship motivation toward a partner (Palmatier 2008, 77). On the other hand, there are many cases of business-to-business relationships where one party appears to be the more powerful organization (Blois 2010, 162). Dependence has been defined as the degree to which an actor needs to maintain the relationship buyer/supplier in order to achieve desired goals, and it can be divided to three major components: expected association value, associate alternatives and level of transaction specific assets (Ganesan 1994). Dependence has also a moderating effect on perceived expected value, so that can either weaken or strengthen the attractiveness (Hald et al. 2009, 965). Doing deeper cooperation with fewer key suppliers is beneficial in many ways, for example the customer can concentrate on volumes and thus gain more influence over vendors, total cost of ownership can be reduced, it is possible to invest more in supplier development and improve quality. On the other hand this can lead to increased dependence on key suppliers (Eggert & Ulaga 2011, 1346).

Dependence dimension is not in a very focal role in gathering the actual data from the suppliers, but it is more implicitly related to the basis of this research. One of the basic
assumptions is that the supplier has the power to decide who will get the output in a situation where there is more demand than supply. Suppliers for the interviews are chosen so, that they have or may have power over the Company, i.e. the Company is more dependent on the suppliers that the suppliers are dependent on the Company.
REFERENCES


