

# The Transaction - Relationship Dichotomy in Logistics and Supply Chain Management

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The customer-supplier dyadic exchange and relationship marketing are well-established research areas in the marketing discipline. Supplier and customer relationships or partnerships in logistics and supply chain management have also received attention amongst academics since the late 1980s. The literature has encouraged firms to develop customer service policies to satisfy customer needs and promote long term and profitable relationships, and has documented benefits for firms that do so. However, empirical studies in logistics customer service have revealed a different situation. Transaction-oriented dimensions such as availability, timeliness and price appear to be more important to customers than relationship dimensions that include trust, integrity and commitment. This paper briefly discusses the importance of customer service to relationships and then considers the nature of relationships in marketing and logistics. Then, the dichotomy between customer attitudes and behaviour regarding transactions and relationships is explored on conceptual and empirical levels from extant literature. Next, a model is presented as a potential research framework to address such dichotomous attitudes and behaviour of customers. Finally, the paper concludes with suggestions for future research using the model.

## Introduction

The customer-supplier dyadic exchange and relationship marketing are well-established research areas in the marketing discipline. Customer-supplier relationships in logistics and supply chain management (SCM) have also received attention by academics since the late 1980s. The literature has encouraged firms to develop customer service policies to satisfy customer needs and promote long-term and profitable relationships, and has documented the benefits for firms that do so. And yet, empirical studies in logistics customer service (LCS) have revealed a different situation. Transaction-oriented dimensions such as availability, timeliness and price appear to be more important to customers than relationship dimensions that include trust,

integrity and commitment. This paper investigates this dichotomy between customer attitudes and behaviour regarding transactions and relationships. First, the nature of relationships and the importance of LCS for relationships are discussed. Then, the dichotomy is explored on conceptual and empirical levels from the literature and extant studies. Next, a model is presented to address these dichotomous customer attitudes and behaviour. Finally, the paper concludes with suggestions for future research using the proposed model.

## Whither Customer Service and Relationships in Logistics and SCM?

Firms face a number of important challenges in the new millennium with respect to their logistics and

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supply chains (SC). Two of these challenges are focusing on customer service and managing customer-supplier relations (Mentzer 1993, Bowersox, Closs and Stank 2000, Skjøtt-Larsen 2000).

Firms need customers to buy their products to generate sales revenue to offset costs and derive profits (Christopher, Schary and Skjøtt-Larsen 1979). Customers who are satisfied with a firm's products and customer service should develop increased customer loyalty, repeat and increased purchases, and a propensity towards establishing long-term relationships (Buzzell and Gale 1987, Reichheld and Sasser 1990). Thus, relationship development is considered a natural outcome of customer satisfaction derived from customer service.

Firms are also encouraged to provide value-added customer service and be customer-responsive in order to differentiate themselves in the market and enhance a customer's purchase. This focus on customers should enhance a firm's financial performance (Christopher 1997, Daugherty, Stank and Ellinger 1998, Emerson and Grimm 1998, Stank, Keller and Daugherty 2001). Customer service strategies should lead a firm's customers to adopt the behaviours noted above and develop long-term relationships or partnerships with them. Thus, customer service can be considered an antecedent for relationship development.

The literature has called on firms to develop long-term relationships or partnerships in logistics and SCM since the late 1980s (Bowersox 1988, Gardner and Cooper 1988, Anderson and Narus 1990). Relationships are deemed necessary to provide firm differentiation in a rapidly changing business environment of increased competition, more sophisticated and fragmented customers, advancing technology, and the 'commoditization' of products (Christopher, Payne and Ballantyne 1991, Christopher 1997, Pels, Coviello and Brodie 1999). This call

in the logistics/SCM discipline has mirrored discussions in the marketing discipline concerning relationship marketing.

### **The Nature of Marketing and Logistics/SCM Relationships**

The earliest relationship marketing conception developed as an extension to Bagozzi's (1975) dyadic social exchange paradigm that characterises the marketing concept and includes consumer satisfaction elements. Macneil (1980), writing about contract law, presented an exchange continuum between purely transactional exchanges and relational exchanges. Macneil's continuum essentially incorporates Bagozzi's utilitarian and symbolic exchanges as anchors.

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## **Availability, timeliness and price appear to be more important to customers than trust, integrity and commitment**

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Transactional exchanges are discrete dyadic exchanges between buyers and sellers with minimal personal relationships and no anticipation or obligation of future exchanges, while relational exchanges contain elements of cooperation, sharing and planning between both sides of the dyad, in addition to other relevant actors (Garbarino and Johnson 1999). However other conceptions have since appeared including the interaction and networks approach from Håkansson and the Industrial Marketing and Purchasing Group (IMP) and the 'Nordic School' or services marketing approach of Grönroos and Gummesson (Pels 1999). Möller and Halinen (2000) have provided a good review of conceptual sources and other

issues in relationship marketing, encapsulating the marketing literature from the 1990s. They argue relationship marketing derives from four root disciplines: services marketing, business marketing or interaction and networks approach associated with the Industrial Marketing and Purchasing (IMP) Group, marketing channels, and database marketing and direct marketing. They argued each source has its own unique perspective towards relationship marketing, but all contain an underlying premise that the traditional marketing-mix approach of transactional exchange of Bagozzi is insufficient to allow managers to cope in their rapidly-changing environments.

Möller and Halinen supported Bagozzi and Macneil's positions that "different exchange characteristics and exchange contexts require different types of relationship marketing... firms have to master several modes of marketing" with respect to relationships (2000: 48-49). But they also argued there is not yet any developed theory of relationship marketing and what exists "is a variety of partial descriptions and theories focusing on the broad content of the phenomena" (2000: 34). Much research and many articles have been based on anecdotal evidence rather than systematic research (Garbarino and Johnson 1999), thus there is a paucity of empirical investigation (Naudé and Buttle 2000).

Li and Nicholls (2000) summarised arguments from several authors who do not share in the excitement associated with the relationship marketing approach. Lack of universal generalisation, marketing channel relationships that are becoming less rather than more relational, and misapplication or cursory application of relationship marketing techniques were cited as legitimate and serious criticisms of this approach. Fournier, Dobscha and Mick reported "customer satisfaction rates in the U.S. are at an all-time low, while complaints, boycotts, and other expressions of consumer discontent rise" (1998: 43).

**Figure 1**  
**Offering and Timeframe Matrix**  
 (Christy, Oliver and Penn 1996: 179)

		<b>Timeframe</b>	
		Short Term	Long Term
<b>Transaction Type</b>	<b>Commodity Offering</b>	<b>Commodity Transaction</b>	<b>Call-off Contact</b>
	<b>Differentiated Offering</b>	<b>Premium Transaction</b>	<b>Marketing Relationship</b>

Christy, Oliver and Penn (1996) also considered time an important dimension of relationships together with product differentiation. Their matrix in Figure 1 portrays transactions as being short-term, regardless of the type of product offering, and they further argued customers would be relationship-indifferent with respect to commodity offerings, such as basic groceries. While relationship development is not precluded for commodities “some product-markets will be inherently more likely to develop marketing relationships than others” (1996: 181). Finally, Pels (1999) noted academics have a responsibility to assist practitioners and managers to understand this shift from transactional to relational exchanges in order to help them avoid market myopia.

A key feature to establishing permanent relationships is a supplier’s and a customer’s understanding of, and willingness to sacrifice, short-term advantages for long-term gains (Earp, Harrison and Hunter, 1999). However, definitions about relationships are often ambiguous and non-specific (Blois 1996, Blois 1998, Earp, Harrison and Hunter, 1999, Pressey and Mathews 2000). Further, while current relationship theories promise added value beyond a transactional exchange they do not show how this value is produced (Tzokas and Saren 1997). Thus,

firms and managers who are evaluated on short-term performance measures, such as quarterly or annual profitability, might lack the ability or desire to embrace long-term relationships as discussed above if the purpose of doing so is not clear (Ackerman 1996).

Managers might also engage in selfish and individualistic behaviour that has significant economic benefits over co-operative relationships but is not conducive to relationship building (Palmer 1999). Such behaviour contradicts a ‘humanist’ interpretation of relationship building that considers individuals to be stable, identifiable and autonomous, and moral due to encompassing wholesome and beneficial values shared by everyone (Smith and Higgins 2000). But it does not contradict arguments (Pels 1999, Smith and Higgins 2000) that transaction and relationship exchanges are based on different paradigms.

There have been several strategies proposed to effect a transition from transactional to relational business interfaces. Two examples are presented to illustrate this point. Möller and Halinen (2000) proposed two managerial modes for relationship marketing: a market-based mode that manages a firm’s customer base and a network-based mode that manages

interdependencies between business actors. They argued managers have to master and utilise both modes in conjunction with traditional marketing management techniques. Christopher (1997) proposed firms develop multiple points of connection between various functional areas of suppliers and customers in order to strengthen bonds. These connections would see suppliers becoming ‘preferred’ for customers and thus barriers being erected against competitor entry and customer switching.

A disadvantage of these proposed strategies is that they add levels of complexity to firms. The first strategy suggests firms may have to work at bimodal levels with their customer base. The second strategy requires extra effort by firms to establish and manage multi-level customer contacts. Thus, firms that utilise such strategies for relationship development may find it difficult to achieve ‘promised’ efficiencies and profitability.

Relationships in logistics and SCM are considered a source of competitive advantage for firms to determine their future with customers and suppliers in an increasingly complex world (Lambert, Emmelhainz and Gardner 1999, Tzokas and Saren 1997). The conditions for establishing such relationships include asymmetry in power or influence by one firm, desire for business stability, a requirement to establish legitimacy, regulatory necessity, usefulness of reciprocity, and an ability to achieve efficiencies (Blois 1996).

Relationships are built upon trust and commitment from shared values and information, mutual dependence, communication and relationship benefits (Morgan and Hunt 1994, Spekman, Kamauff and Myhr 1998, Tate 1996). Further, relationship benefits accruing to logistics suppliers and customers include cost reductions, risk sharing, shared creativity, understanding of customer defections and the potential for

new business (Bowersox 1988, Christopher 1997).

Besides the marketing and logistics disciplines, concepts of trust have been discussed and investigated in terms of economic transactions (cf. Williamson 1975, 1985) and inter-organizational relationships among suppliers and customers (cf. Sako 1992, Nooteboom 2002). Williamson discussed the increase of transaction costs associated with elements of mistrust, such as “contractual completeness and exacting execution” (1975: 107) and, quoting Kenneth Arrow, noted “trust and similar values, loyalty or truth-telling are... not commodities for which trade on the open market is technically possible or even meaningful” (1985: 405). In short, inter-organizational trust should encompass integrity and dignity.

Sako argues trust is “a state of mind” or “expectation held by one trading partner about another” which should lead to mutual respect and predictable reciprocal behaviour (1992: 32). Sako’s discussions centred around long-term manufacturer and supplier relationships or ‘kerietsu’ in Japan. Such relationships might be more about manufacturer power than trust and “power can have an adverse affect on one’s trust” (Nooteboom 2002: 196).

These concepts of trust from two alternative disciplines that contain elements of integrity, dignity and actors expectations are in concert with elements in the marketing and logistics disciplines, which are the focal disciplines of this paper. However, while these theoretical aspects of relationships and trust are cogent and sensible applications and implementation in practice have been problematic and present a dichotomy for firms between using transactional or relational behaviour.

### The Transaction-Relationship Dichotomy and Associated Issues

Some authors (Grönroos 1994, Brodie, Coviello, Brookes and Little 1997) consider that moving along

Macneil’s (1980) continuum from transactions to relationships might provide further explanation of this phenomena and also represents a paradigm shift. However, the lack of strong empirical evidence through application and implementation discussed below does not support that such a shift may to have occurred. There are also some conceptual difficulties with linkages between customer service and relationship development and a ‘gap’ between normative theory postulated by academics and everyday practice of marketers in firms (Fournier, Dobscha and Mick 1998, Li and Nichols 2000).

Further, evidence from several empirical business-to-business studies suggest buyers or customers in exchange situations might be of ‘two minds’ and not ready or able to fully embrace relationship concepts. Customers appear to focus on transactional issues in customer service while promoting the value and importance of relationships. The concept of supplier–customer relationships is still relatively new in Western business settings and old habits of using supplier competition to maintain low prices and releasing those suppliers who do not do so are slow to change (Krause and Ellram 1997).

Assuming relationship theory pre-empted practice as opposed to reflecting it, transition from a transaction to a relationship focus has been problematic in practice and the dichotomy remains between transactional and relational exchanges. Evidence from several empirical studies reinforces this confusion surrounding transactions and relationships and the subsequent behaviour of suppliers and customers. These studies also suggest it is primarily buyers or customers in an exchange that are less willing to indulge in relationships while acknowledging the importance and need for them.

Campbell (1997) studied firms in the European flexible packaging industry in four partnership categories: customer-centred,

political control, personal loyalty and mutual investment. The latter two categories correspond to usual relationship characteristics described above. Sellers or suppliers had higher percentage positive responses regarding choice in these two categories compared to buyers or customers, whilst the converse was recorded in the two former categories. Campbell concluded that buyers and sellers do not always agree on the sentiments or behaviours that occur in relationships, and that there is a wide diversity between buyers and sellers about what a relationship or partnership entails.

Spekman, Kamauff and Myhr (1998) examined five broad industry groups in terms of respondents’ immediate customers and suppliers, a true SC context. Dimensions included supply chain factors, customer service, partner selection and SCM processes and practices. They found significant differences between a buyer’s and supplier’s perspective for some variables amongst the dimensions however their work was exploratory and suffers from a small sample size. Spekman, Kamauff and Myhr only had 132 total respondents, 73 sellers and 59 buyers and dozens of variables across their dimensions. Thus, deep quantitative analysis was not possible and no generalisations could be made to any dimensions or industry sector. They did contribute however in terms of general differences between buyer and supplier outlooks.

Naudé and Buttle (2000) noted a general lack of discussion about relationship quality and argued there is not one measure of relationship quality – it is a multidimensional construct. They investigated five dimensions from a survey of 40 middle to senior managers attending a management development course: trust, needs satisfaction, integration or coordination, power and profits. A cluster analysis of respondents was significant for all dimensions however trust and needs satisfaction had higher attribute scores and part-worths. Naudé and

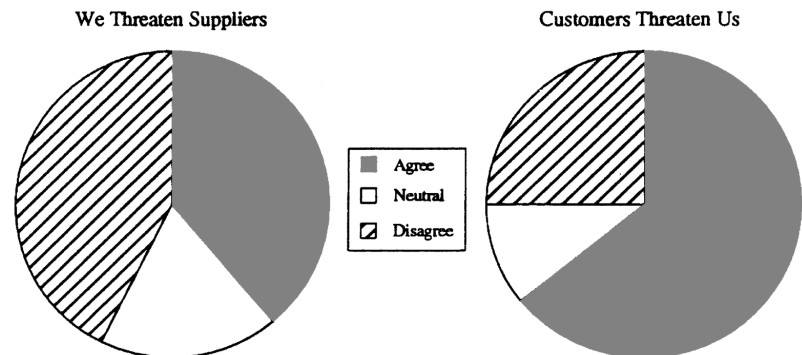
Buttle's work was cross-sectional and consisted of a non-random and small sample, and they noted a further need to consider temporal effects as well as macro variables such as industry sectors and general economic conditions. Thus, while Naudé and Buttle contributed to the dimensional discussion it did not square the circle with Spekman, Kamauff and Myhr's work.

Other evidence has been the failure or dissolution of much publicised logistics relationships or partnerships, including Laura Ashley and Federal Express and a Fortune 500 company and its third-party logistics provider (Ackerman 1996, Lambert, Emmelhainz and Gardner 1999).

The dimension of power has been much discussed in the channels of distribution literature beginning with Gaski (1984). While cooperation and collaboration are necessary in relationships, conflict between actors will arise due to incompatible goals and differing ideas of roles, functions and perceptions of reality (Wilkinson 1996). The use of power by individual channel members is often used to manage conflict and maintain order (Brown, Johnson and Koenig 1995, Wilkinson 1996). Such considerations have not been significantly examined in logistics or SCM. Cox argued "the concept of power is rarely discussed in supply chain writing – except to deny it is important or to argue that power should not be used because 'lean' approaches should be based on equity, trust and openness" (1999: 171). In reality however the abuse of power has been found to play an important role in SC integration and relationships.

A.T. Keaney's study of UK practitioners found that power created due to a firm's size and dominance in the SC is not diminished because that firm chooses to build relationships, "much commercial activity is subject to the rule of force rather than the rule of partnership" (1994: 14). P-E International's survey of UK practitioners (1994) determined an environment of 'might is right'

**Figure 2**  
**Use of Power to Withdraw Business**  
(A.T. Kearney 1994: 15)



exists in dyadic SC partnerships, and that the customer is usually the mightier partner. A.T. Kearney noted FMCG firms routinely threatened suppliers to de-listing and charged them for demand forecast or sales data, "giving a novel meaning to the phrase the 'customer is king'" (1994: 15). The magnitude of the use of threat found by A.T. Kearney is graphically shown in Figure 2.

Cox also argued the concept of business is "about appropriating value for oneself, it is not about passing value to customers unless circumstances decree that this is the only option available to a company in order for it to sustain itself in business" (1999: 171). His views are contrary to previous discussions regarding value accruing to customers and general bonhomie in relationships.

An LCS study we carried out in the food processing sector also demonstrated this dichotomy between transactional-relational variables and we describe its elements in the next section.

### Empirical Study in the Scottish Food Processing Industry

We surveyed customers in the Scottish food processing industry regarding important variables and constructs of LCS. This industrial sector is the subject of much research into efficiency and collaboration by inter alia the UK Institute of Grocery Distribution (IGD) and Efficient Consumer

Response (ECR) Europe (Kotzab 1999, Barratt and Oliveira 2001, Marzian and Garriga 2001). The UK food processing sector accounts for £56 billion of gross added value to the UK economy, or 8% of gross domestic product (GDP) and employs 3.3 million people or 12% of the UK's workforce, excluding the fisheries and aquaculture and catering sectors (Food Chain Group 1999).

The impact of logistics on this industry is also substantial. Browne and Allen (1997) reported average transport costs in 1996 were 6% of total sales revenue while manufacturers are expected to become responsible for ownership of stock that significantly impacts inventory carrying costs. They concluded that for efficiency to be maintained and improved and higher service levels achieved actors in the UK food SC will need to improve information sharing and thus increase the level or relationships with suppliers and customers. Information sharing and product flow optimization are key issues for UK food retailers, and information technology is the key factor behind these issues (Whiteoak 2004).

Conversely, UK food retailers are accused of exercising considerable power over their suppliers and food producers. Instead of collaboration there is "a one-way trade, not a dialogue, and no criticism or grumbling is permitted" (Blythman 2005: 139). The Competition Commission, an

independent public body in the UK, investigated the grocery supply chain and reported in 2000 (Competition Commission 2005). The Commission found that some 30 practices of large multiple food retailers adversely affected suppliers and distorted competition among suppliers. The Commission recommended a Code of Practice, which was subsequently introduced by the UK Office of Fair Trading in 2002 (Blythman 2005, Competition Commission 2005).

Our study (Grant 2004) investigated important variables and constructs of LCS from a selection of items derived from the literature. A sample frame of 380 fresh food processing firms in Scotland, excluding fruit and vegetable, were surveyed and yielded 105 usable responses for a 28% response rate.

The most important variables were transactional: on-time delivery, products arriving undamaged and according to specification, orders

being complete and accurate, and price. Price was the key discriminating factor between dissatisfied and satisfied customers, in favour of the latter. However, exploratory factor analysis yielded two prime factors comprised of relationship variables, thus customer attitudes in this group appeared to operate at two different levels regarding their suppliers.

We conducted face-to-face interviews as a post-study follow-

**Table 1**  
**Matrix of Key Interview Comments**

<b>Topic Areas</b>	<b>Firm A</b>	<b>Firm B</b>	<b>Firm C</b>
<b>Customer Service and Satisfaction</b>	“Customer service is more about responsiveness and empathy on both sides; looking for added value; wants to be treated like she treats her customers; important factors vary by situation and thus event; getting good service, being responded to and working with supplier”	“Customer service consists of on-time, good quality and delivery, price yes as business is a commodity but it can be more of a filter; satisfaction includes all these plus communication or market information and helping you out by going out of their way”	“Customer service is continuity and quality, with availability and price being important factors; firms are very price conscious; satisfaction is about meeting our needs and communicating with us; we are small with only 30 employees and would like to remain small”
<b>Suppliers and Relationships</b>	“Supplier qualities include responsiveness, professionalism, not cowboys, getting a response, items on time begin the definition of a relationship; she likes straight-line relationships; listening important on both sides, but finds industry a bit disappointing in not thinking ‘big’ and not pursuing relationship development”	“Supplier qualities include ethics and integrity; new suppliers must also help solve problems, but it’s hard for new suppliers to break in as there are a certain amount of relationships involved in the business; suppliers must maintain old-fashioned but flexible and responsive values but also have niche values and be able to customise”	“Supplier qualities include honesty and telling the truth, doing what you say you will and consistency; relationships are important as is personal contact on an ongoing basis; values of quality and consistency derived from family, there are 5 brothers in the firm who handle different aspects of the business; look for suppliers who share the same family values”
<b>Other Comments</b>	“Buying process is once a week, she does it, she is not sure how many suppliers are IT based but she wants to set up website as her customer ASDA is looking for her to be EDI compatible; however she prefers telephone and personal contact, business seasonal only with respect to certain product groups such as salads”	“Have EDI but don’t use it much, difficult to see its value at the sharp end; there is lots of ‘chumminess’ in the industry, which is particularly prevalent down south (England and Wales); some power or coercion exercised by the firm as it presently a buyer’s market due to low commodity prices”	“We only have a computer for operations and maintenance; accounts are still done by hand, an abacus works ok with WD-40”

up to confirm the findings of the study and further investigate the emergent issue of transaction versus relationship variables. While 11 respondents or just over 15% of the study sample were selected, only three firms were available and agreeable to be interviewed. Firm A is a Glasgow food manufacturer and processor of ready-made savoury snacks and meals for resale to retailers and the operations manager participated in the interview. Firm B is an Edinburgh beef, lamb and pork processor and wholesaler, and the sales manager participated. Firm C is a gammon and bacon processor located near Glasgow supplying to wholesalers and retailers and the export sales manager participated.

All interviews were conducted using a semi-structured interview schedule for a short time, e.g. an hour maximum. Interviews were taped, transcribed, and analyzed by the patterning method; i.e. visually comparing responses to topic areas and noting any recurring patterns or themes. Interviewees were asked about the topic areas of customer service and satisfaction, and suppliers and relationships. Views of all three interviewees are summarised in Table 1. Important variables of on-time delivery and price featured in their comments, while all interviewees noted elements of communication in discussions about satisfaction. The comments were consistent with the study findings about these topics. All three interviewees advised relationships are important to them, they expected good relationship behaviour from their suppliers, and a theme of trust, professionalism, honesty and integrity emerged from their comments. Their comments supported notions presented by Morgan and Hunt (1994), Garbarino and Johnson (1999), Williamson (1975, 1985) and Sako (1992).

Rather than a paradigm shift, the foregoing indicates that the transition from a transaction to a relationship focus has been problematic in practice and a dichotomy or duality may exist in

firms regarding transactional and relational exchanges. This dichotomy suggests that academics and managers in logistics need to acquire a better understanding of customer attitudes and behaviour towards relationships or partnerships in order to achieve effectiveness. But is there a model or tool to assist with future research and application? In the next section we propose a model stemming from the literature and our empirical study findings that provide a basis for further research into this phenomenon.

**Proposed Model**

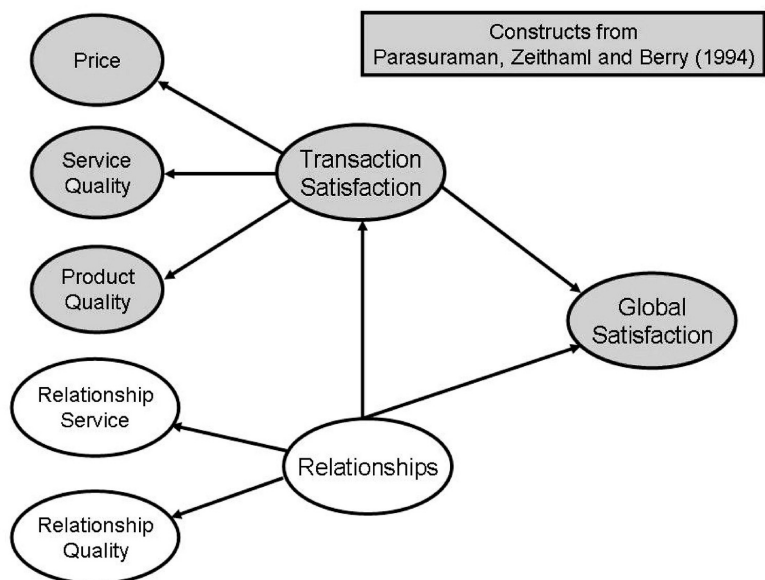
In order to address this dichotomy and address findings from the various studies discussed above we propose a model incorporating transactional and relational elements as shown in Figure 3.

The upper half of the model is from Parasuraman, Zeithaml and Berry (1994) who developed a transaction-specific methodology in response to criticism of their SERVQUAL instrument (Parasuraman, Zeithaml and Berry 1988). This portion of the model, hereafter called the PZB Model, describes a customer's global

satisfaction in terms of the sum of a number of specific transactions. The PZB Model proposes that a customer's overall satisfaction with a transaction, or transaction satisfaction, "to be a function of his or her assessment" of three latent or unobservable constructs of "service quality, product quality and price" (1994: 121).

These three constructs are first-order constructs and indicate manifest or observable variables. For example, service quality might indicate variables of order cycle time and delivery time whilst price might indicate variables of quoted price and opportunities to negotiate discounts. They are also endogenous as they are indicated by manifest or measurable variables in the model and are thus dependent on them (Hair, Anderson, Tatham and Black 1995). Transaction satisfaction is an endogenous second-order construct that is indicated by the first-order constructs while global satisfaction is a third-order endogenous construct indicated by manifest variables such as intention to repurchase and feelings towards suppliers and explained by the summation of a number of transaction satisfaction events.

*Figure 3*  
**Proposed Model for Investigating Transactions and Relations**



*Table 2*  
Proposed Model Constructs and Variables

Constructs	Variables
<b>Price</b>	Price
	Accurate Invoices
<b>Service Quality</b>	Availability
	On-Time Delivery
	Complete Orders
	Accurate Orders
	Appropriate OCT
	Products Arrive Undamaged
	Consistent OCT
	Delivery Information
<b>Product Quality</b>	Products Arrive to Specification
	Consistent Product Quality
<b>Relationship Service</b>	Ongoing Communications
	Easy Ordering
	Action on Complaints
	Return Policy
	After Sales Support
	Delivery Time
	Helpful Customer Service Representatives
	Customised Services
<b>Relationship Quality</b>	Trust
	Commitment
	Integrity
<b>Global Satisfaction</b>	Supplier Importance
	Overall Supplier Quality
	Feelings towards Supplier
	Relationship Power
	Ability to Switch
	Future Purchase Intention

The PZB Model does not take into account relationship variables or constructs and is thus narrow in scope to address the transaction-relationship dichotomy. However, it provides a useful starting point for our proposed model. We added relationship constructs to the bottom portion of the PZB model to complete our proposed model.

We first propose two first-order endogenous constructs. Relationship service is indicated by LCS variables from the original study, such as helpful customer service

representatives and after-sales service. Relationship quality is indicated by variables of trust, integrity and commitment derived from Morgan and Hunt (1994), Garbarino and Johnson (1999) and Williamson (1975, 1985). We further propose that the outcome of these two constructs is a second-order endogenous construct termed relationships. This construct is posited to either directly affect global satisfaction or indirectly affect it through mediation by transaction satisfaction (Hair, Anderson, Tatham and Black 1995).

A list of all constructs and our proposed variables emerging from the literature and our study is provided in Table 2.

## Conclusions

Logistics customer service and relationships or partnerships continue to be important research and practitioner topics. Literature on relationships outlines potential benefits available to customers and suppliers entering into such arrangements. These include increased long-term profits that are fundamental to a firm's corporate success and health.

However, empirical evidence from the literature and our own study suggests that important customer service variables tend to be transactional in nature. Customers do not appear willing to embrace relationships as readily as their suppliers do, and revert to historical behaviours related to transactional concerns of availability, delivery time and price. This behaviour is not easily explained within existing logistics and marketing relationship theories. Such behaviour may also be geographically-specific, i.e. firms in one geographical area such as Europe may be more amenable to establishing relationships than their counterparts in North America.

We propose an alternative model for further research to help develop a better understanding of the dichotomy between customer service transactions and relationships in logistics. The proposed model incorporates transaction and relational elements but is parsimonious as regards constructs and variables. Some brief suggestions for the utilisation of this model follows.

Use of the proposed model could consider global satisfaction over time, as a surrogate for relationships, dependent upon the transaction satisfaction construct and its dimensions of price and service and product quality and the relationships construct and its dimensions of relationship service

and quality. Areas of interest might be correlations amongst these dimensions, their weights in determining both transaction and global satisfaction, and whether relationship intentions or activities are equivalent to the latter.

This model is proposed as one possible method to investigate the phenomenon regarding transactions and relationships in logistics/SCM. However, it has been presented only in strategic and theoretical terms and requires extensive empirical testing. Empirical research using this model might help explain the different levels of customer behaviour regarding transactions and relationships.

In summary, the nature of transactions versus relationships is still at an early stage of theoretical development and empirical study in both a business-to-business and logistics/SCM contexts. We do not accept or reject either side of the transaction-relationship dichotomy. Rather, the purpose of this paper has been to present these issues for discussion to promote ongoing logistics and supply chain competence in research and industry.

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