INTER-ORGANIZATIONAL TIES AND TOTAL CUSTOMER SOLUTION STRATEGIC POSITIONING FROM DELTA MODEL: A RESEARCH ABOUT DYAD SUPPLIER-CLIENT ON B2B

LAÇOS INTER-ORGANIZACIONAIS E O POSICIONAMENTO ESTRATÉGICO DE SOLUÇÃO TOTAL AO CLIENTE DO MODELO DELTA – UMA PESQUISA SOBRE A DÍADE FORNECEDOR-CLIENTE NO B2B

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ABSTRACT

The basic issue of the strategic management process is to determine how firms achieve and sustain competitive advantage. In this sense, this paper aims to analyze the links between a firm’s competitive positioning and the inter-organizational ties created with its customers as a way to achieve sustainable competitive advantage. The focus of the study is to describe the competitive process according to the Delta Model developed by Hax and Wilde II, which proposes three strategic positioning options. The study describes the process of competitive positioning through inter-organizational ties and customer bonding under a strategic marketing perspective. From a methodological point of view, a literature review was done focusing on two theoretical subjects: competitive positioning and strategic marketing. Finally the results of an empiric research on a public relations company are presented. The study’s contribution is providing empirical support for the Delta Model.

KEYWORDS

Strategic marketing; Digital marketing; Strategic management; Networks; Delta model.

RESUMO

O ponto básico do processo de gerenciamento estratégico é determinar como as empresas adquirem e sustentam uma vantagem competitiva. Neste trabalho, objetiva-se analisar a relação entre o posicionamento competitivo de uma empresa e os laços inter-organizacionais criados com seus clientes como uma forma de adquirir vantagem competitiva sustentável. O foco do estudo é entender o processo competitivo tendo por referência o Projeto Delta, de Hax e Wilde II, o qual propõe três alternativas de posicionamento estratégico. Assim, descreve-se o processo de posicionamento estratégico mediante laços inter-organizacionais e o vínculo
com o cliente (customer bonding) sob a ótica do marketing estratégico. Sob o aspecto metodológico, é feita, preliminarmente, uma breve revisão da literatura pertinente ao tema, a partir de uma perspectiva do posicionamento competitivo e do marketing estratégico. Finalmente são descritos os resultados de uma pesquisa empírica, analisando o caso de uma empresa dedicada à atividade profissional de relações públicas. A principal contribuição do estudo é prover o Projeto Delta de respaldo empírico.

**PALAVRAS-CHAVE**

Marketing estratégico; Marketing digital; Gerenciamento estratégico; Redes de empresas; Modelo Delta.

**1 INTRODUCTION**

The revolution triggered by information and communication technologies (ICT) has had a significant impact on the economy, both at global and national levels, on the role of governments and on the way people live and work (BROUSSEAU; CURRIEN, 2007; ELSTER, 2007; FRANSMAN, 2007; NEWMAN; BARABASI; WATTS, 2006; RUST; LEMON; ZEITHAML, 2004; URBAN, 2004; BARABASI, 2003; KOBRIN, 2003; PEREZ, 2002; GOLDBERG, 2001; HODGES; GRAYSON, 2001; DE MASl, 1998; HANSON, 1999; BELL, 1973). One lens that captures this revolution is the network society, characterized by the concept of an independent and dynamic net linking organizations and forces of the economic, technological, political, physical-natural and social-cultural environments (CASTELLS, 1999; PASSOS, 2005; BENKLER, 2006; BEINHOCKER, 2007; HAX; MAJLUF, 1991).

To deal with periods of pronounced evolutionary unrest, such as the current business environment, organizations must change not only their strategic practices, but also the philosophy underlying their strategic reasoning (JACOBIDES; WINTER, 2005; BEINHOCKER, 2007; WIGGINS; RUEFLI, 2005; EISENHARDT; SULL, 2001; HAX; WILDE II, 2001; MINTZBERG; AHLSTRAND; LAMPEL, 2000; BROWN; EISENhardt, 1998; TEECE; PISANO; SHUEN, 1997; HAX; MAJLUF, 1991).

In this sense, this paper aims to analyze the links between a firm’s competitive positioning and the inter-organizational ties created with its customers as a way to achieve sustainable competitive advantage. The focus of the study is to describe the competitive process according to the Delta Model developed by Hax and Wilde II (2001) under the perspective of one of its strategic positioning options.
Based on the Delta Model, the case presented explores the inter-organizational networks issue (KOBRIN, 2008; BENKLER, 2006; HARRISON, 2005; GUMMESSON, 2005; NOTEBOOM, 2003; PEREZ, 2002; CASTELLS, 1999; GRANDORI, 1999; GRANOVETTER, 1973), and analyzes the process of competitive positioning through inter-organizational ties and customer bonding.

The authors begin by describing inter-organizational networks. Then the key concepts used in this study are identified: economics of technological change, economics of networks, strategic management, strategic marketing and internet marketing. For the investigation of firm strategy, the authors adopt as analytical tool the Delta Model and describe the case of a public relations company and a fast-food chain (supplier-client dyad). The case study analyzes a company (CDN Interactive) providing a specific digital communications solution (Relationship Website) to one of its main customers, supported by customer bonding and inter-organizational ties among both companies.

2 INTER-ORGANIZATIONAL NETWORKS

Every technological revolution tends to lead to massive replacement of a set of technologies by another, by modernizing the existing equipment, as well as processes and operational procedures; each one of these shifts involves extensive changes in the organization and in its people, in terms of habits and qualifications (PEREZ, 2002). Perez (2002) and Tigre (1997) identify a causal mechanism in the form of a sequence of events and business cycles, which comprise the essence of capitalism: technological revolution; collapse; financial bubble; golden era; political disorder.

On the other hand, one of the structural characteristics of the information and telecommunications age is the growing importance of inter-organizational networks as a way to articulate productive and technological resources, as opposed to the logic of vertical integration (BENKLER, 2006; HARRISON, 2005; PEREZ, 2002; GRANDORI, 1999; WILLIAMSON, 1975, 1985, 1996, 1999). “The net result is the geographic fragmentation of production processes, or, more generally, the desegregation of supply chains” (KOBRIN, 2008, p. 17).

Some strategy researchers began to consider how companies develop external qualifications through inter-organizational ties (GRANDORI, 1999), participating in networks of alliances, knowledge exchange and qualifications (MCEVILY; MARCUS, 2005).

Network organizations characterize by mutual standards of communication and exchange shape a feasible pattern for the organizations’ economy (POWELL, 2004). “When relationships embrace more than two people or organizations, complex patterns and contextual dimensions will emerge – networks”
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(GUMMESSON, 2006, p. 342). The atom that represented one of the principal icons of the 20th Century has yielded its place in the 21st Century to the net, whose defining characteristic is not having a center or an orbit. If the atom represents clean simplicity, the net channels messy complexity (KELLY, 1998).

The network of inter-organizational ties developed by companies to acquire capabilities is not only a question of contacts with peers. It represents critical relationships with various stakeholders, suppliers, consumers and complements (MAHONEY, 2006; HARRISON, 2005; BRANDENBURGER; NALEBUFF, 1996; DONALDSON; PRESTON, 1995). For instance, in developing the iPod, Apple Company specified the product concept and managed only three competencies internally: channels, branding and sourcing innovation. Apple articulated an inter-organizational network of alliances for the development of hardware, software and content.

Finally, the social immersion of organizations and the network relationships are critical, because the analytical perspective of the network study strengthened and expanded economic sociology. In this sense, the sociologist Mark Granovetter’s work on the strength of weak ties is noteworthy as an important push for the study of networks (NOTEBOOM, 2003; GRANOVETTER, 1973).

The value network represents the context in which an organization identifies and responds to consumer needs, solves problems, buys supplies, reacts against competitors and seeks profit (CHRISTENSEN, 1997). Christensen (1997) stresses that the value network concept was built upon the idea of the technological paradigm. The latter is defined, in the area of technological change, as an analogy to the paradigm studied by Kuhn (1975) and used for the first time by Giovanni Dosi (1982) when referring to the logic of the path of individual technologies, products and industries. Gummesson (2005) argues that organizations must evolve into increasingly flexible structures built around the essential processes, developing a network structure supported by the node(s) represented by the organization’s core competencies.

A relevant question for the value network is relationships. In his market-oriented competition model, George Day (2001) includes the relationship capability as a key element for competition. However, though fundamental, relationships solely with the market are a partial approach. Gummesson (2005) introduces the concept of total relationship, comprised of thirty relationships grouped into four types. The first type indicates the classical market relationships (between supplier and customer). The second type concerns special market relationships – interaction during a business meeting, or customer integration into a fidelity program. The other two types relate to organizations and forces outside the market. Those are the mega relationships related to the economy and to society as a whole and the nano-relationships that exist inside
an organization, which influence the first two. Emphasizing the importance of total relationship marketing, Lambert and Cooper (2000) state that business management entered the era of inter-network competition; instead of brand against brand, now it is supply chain against supply chain. In this new competitive environment, success of an organization will rest upon its ability to integrate its complex network of relationships.

3  COMPETITIVE POSITIONING, THE DELTA PROJECT AND NETWORK COMPETITION

Toledo, Quelopana and Pollero (2007) detail the evolution of competitive positioning. One of the key intellectual innovations in business administration in the last two decades has arguably been the gradual emergence of a “knowledge-based” approach to the firm, known as the resource-based view (FOSS, 2006; FLEURY; FLEURY, 2004). Porter’s framework and the Resource-Based View of the firm emphasize different dimensions of strategy, and both of them can richly complement each other, adding a missing perspective: the Customer (HAX; WILDE II, 2001; TREACY; WIERSEMA, 1995; CASTELLS, 1999; PORTER, 1986, 1989, 1992). A company is owned by its shareholders, but “belongs” to its customers. “At the heart of management and, certainly, at the heart of strategy, resides the customer” (HAX; WILDE II, 2001, p. 7). The dynamics of the game demand attracting, satisfying and retaining the customer.

In a company’s competitive system, the architecture, articulation and accomplishment of the relationship/bond with the customer emerge as a decisive element that makes up the strategy. Hax and Wilde II (2001) call customer bonding the mechanism of creating almost unbreakable link, deep knowledge, and close relationship with the customers carried out directly or indirectly through the complementors that the customer wishes to access (DAVIES, 2004). The Delta Model proposed by the authors has in its core a management design in which the strategy unfolds supported by a system of close company – complementor – customer relationships. The outcome of these inter-organizational ties is the value chain (PORTER, 1989; DAVIES, 2004).

In the scope of this study, the development of a company or business unit strategy should emphasize a relevant strategic positioning. In this sense, the Delta Model fills the gap in the development of strategic thinking, suggesting three options or approaches to achieve customer bonding, which are graphically represented by a triangle, as seen in Figure 1: Best Product, Total Customer Solution and System Lock-in (HAX; WILDE II, 2001). This paper focuses mainly on the second option: total customer solution.
3.1 **TOTAL CUSTOMER SOLUTION**

It is based upon a philosophy that differs from the best product approach. It explores a broader offer of products and services aiming at satisfying not most but all of the customer’s needs. This option is centered on customers instead of on the product’s economy. Closeness to the customer allows a company to foresee his/her needs and work together to develop new and differentiated products. Stressing learning to predict customer needs so as to adapt products to them has a double effect: first, it lets the customer learn how to use a new product or service, leading to eventual cost reductions; secondly, learning to foresee customer needs increases the company’s capabilities to satisfy them.

In this framework the customer is not viewed as an undifferentiated element. On the contrary, the company must acknowledge that different customers
have typical needs, which require considering a market segmentation process (HAWKINS; MOTHERSBAUGH; BEST, 2007; KOTLER, 2000). Accordingly, a deeper understanding of customer expectations and wishes should be sought. Instead of developing the marketing process in isolated steps, such as product specification, pricing, promotion and distribution, efforts are made to offer a consistent portfolio of products and services that profit from the customer’s participation in the creation of economic value (KOTLER, 2000).

As such, the proposal of a total customer solution is based upon a market oriented philosophy (LAMBIN, 2000; KOHLI; JAWORSKI, 1990; NARVER; SLATER, 1990). The focus of the strategic process shifts from the internal value chain towards an integrated value chain connecting suppliers, intermediaries and key customers through inter-organizational ties.

The Total Customer Solution can take three forms:

- **Customer Engagement**: it involves changing the relationship with the customer from the moment of purchase until end of its useful life. The Brazilian company “Casas Bahia” (BLECHER, 2004) serves as an example. This retailer was chosen as a worldwide sales benchmark in the low income market (PRAHALAD, 2004).

- **Horizontal Scope**: it means putting together a package of products to satisfy a wide range of customer needs. The leading online retailer in Brazil, Submarino.com.br, is a good example of the Horizontal Scope alternative. The company’s site offers a large selection of products aiming to satisfy a diversified range of customer needs, along the lines of a virtual department store offering books, CDs, DVDs, household appliances, baby items, toiletries and health care products, and even pet shop articles and musical instruments, among others.

- **Customer Integration**: it may mean outsourcing or performance by the supplier company of tasks previously carried out by the customer. As an example, Martins Comércio e Serviços de Distribuição (Uberlândia, Brazil), a company with nearly one billion US dollars sales in 2003, can be mentioned (MAUTONE, 2003). Martins is the largest Brazilian distribution chain of products for small and medium size supermarkets. Large chains such as “Pão de Açúcar”, Carrefour, and Wal-Mart Brazil are not serviced by distributors as they buy directly from manufacturers because of their large volumes. According to the philosophy of its owner and CEO, growth depends on their customers’ financial success, so the company’s goal is to be as close as possible to their clients, which is done at various levels according to each customer’s profile.
The company’s interest must center on attracting, conquering and retaining the so-called complementors. As suggested by the denomination, they complement and complete the company’s offer through a strategic alliance. As defined by Brandenburger and Nalebuff (1996, p. 18), “a player is your complementor if customers value your product more when they have the complementor’s product than when they have your product alone”, or the reverse case “a player is your complementor if it is more attractive for a supplier to sell both to you and to the other player, than supplying to you alone”.

A value network is built together with the complementor, also including competitors, consumers, other suppliers and the company itself. A participant (in the value network) is a complementor if consumers value the company’s products more when participant’s products are also supplied (BRANDENBURGER; NALEBUFF, 1996). As an example of a complementor, Hax and Wilde II (2001) mention Microsoft. This company does not profit based on product costs or offer differentiation, nor is it primarily customer-focused. They use a system lock-in; the brand is harmonized around the system through the mention Intel Inside or Microsoft-compatible. Consumers are attracted to Windows because more companies create applications for it than for any other operating system (HAX; WILDE II, 2001).

Considering that the Delta Model portrays an integrated process of strategic formulation and performance, the starting point for the discussion of strategy is the analysis of some basic requirements, as described by Hax and Wilde II (2001).

a) Outlook Creation and strategic position selection (COLLINS; PORRAS, 1995);
b) Development of a strategic agenda that supports this outlook (HAMEL; PRAHALAD, 1995);
c) Alignment of performance tasks through the adaptive process (PORTER, 1989; DEIGHTON, 1996; COZER, 2003; VENKATRAMAN, 1998; HAN-SON, 1999; MERCER, 1998; KOHLI; JAWORSKI, 1990; BALDWIN; CLARK, 1997; HAGE; SINGER, 1999)
d) Including a market orientation as the intrinsic factor of the strategic process (DAY, 2001; KOHLI; JAWORSKI, 1990; NARVER; SLATER, 1990).

Figure 1 highlights the components that shape the framework of the Delta Model: the Triangle, the Business Strategic Agenda and the Adaptive Processes. Although presenting the complete framework is not within the scope of this work, it must be stated that it complementarily includes the important aspect of metrics, an essential element of the strategic management process.
Hax and Wilde II’s (2001) proposal, represented by the triangle, is an effective tool to describe the strategic position best suited to the organization. The Delta Project helps the manager to take the first and essential step, which is to define the business core mission; this, in turn, will orient the entire process of strategy formulation and implementation.

4 THE DELTA MODEL ANALYSIS PROPOSAL

The Delta Model represents an evolution of and a complement to traditional competition models, enlarging the focus to include the customer and the concept of total relationship in the management of holistic networks, comprised of sales organization, competitors, intermediaries and exchange facilitators, the market, other stakeholders and society at large.

An important contribution of the Delta Model is its proposal for effective integration of the different conceptual and empiric propositions into a competitive framework, bringing together a set of concepts, processes, principles and strategic proposals found in the literature, such as the value network, the inter-organizational net, the relationship network, integrated solutions, customer focus and market segmentation. In this sense, the Delta Model offers broader bases for analysis of the articulation needed for the consistent development of inter-organizational ties.

In this paper, the focus of the analysis is the triangle and the business strategic agenda enhancing the inter-organizational supplier – customer ties. Having as point of reference the elements described in Figure 1 – the triangle, strategic agenda, adaptive processes – the authors propose an expanded analytical design, relating to each element, one unit of analysis and a performance indicator, presenting references in the literature that support the concepts underlying the proposal.

The analytical scheme of the Delta Model proposed by the authors is presented in Table 1. There are three stages of strategic management: framework, strategic agenda and processes. Definition of the strategic framework is the first task for the Delta Model implementation and Table 1 breaks down the three options of the triangle, the three units of analysis – unit-task, organizations and inter-organization, performance indicators and literature references. The adaptive processes of the Delta Model are operational effectiveness, customer targeting and innovation (HAX; WILDE II, 2001), with different priorities for each one of the triangle’s options. Table 1 describes their respective indicators, the literature references for each process and all of the organization’s activities.
## Table 1

**Proposal for Analysis of the Delta Model**

<table>
<thead>
<tr>
<th>DELTA MODEL PERSPECTIVE</th>
<th>STRATEGIC AGENDA</th>
<th>UNIT OF ANALYSIS</th>
<th>CONSTRUCT INDICATORS</th>
<th>REFERENCES</th>
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<tr>
<td>POSITIONING FRAMEWORK</td>
<td>UNIT OF ANALYSIS</td>
<td>PERFORMANCE INDICATORS</td>
<td>REFERENCES</td>
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<td>Best product</td>
<td>SBU</td>
<td>Product profitability</td>
<td>Porter (1989)</td>
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<td></td>
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<td>Product share</td>
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<td>Total customer solution</td>
<td>Organization</td>
<td>Customer profitability</td>
<td>Gummesson (2005)</td>
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<td>Customer share</td>
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<td>Inter-organization</td>
<td>Cooperation</td>
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<tr>
<td>System lock-in</td>
<td>Inter-organization</td>
<td>Switching cost of customer and complementor</td>
<td>Shapiro and Varian (1999); Barabasi (2003); Arthur (1996, 1999); Granovetter (1973)</td>
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<td></td>
<td></td>
<td>Complementor's share</td>
<td>Brandenburger and Nalebuff (1996); Castells (1999); Benkler (2006); Beinhocker (2007)</td>
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<td></td>
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<td>Core scope</td>
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<td>Core competencies</td>
<td>Organization</td>
<td>Value perceived by the customer</td>
<td>Hamel and Prahalad (1995); Zook (2003); Fleury (2001); Foss (1997)</td>
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<td></td>
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<td>Differentiation between competitors</td>
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<td>Expansion capability of new services generated based upon core competence</td>
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### Table 1 (Continuation)

**PROPOSAL FOR ANALYSIS OF THE DELTA MODEL**

<table>
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<tr>
<th>STRATEGIC AGENDA</th>
<th>UNIT OF ANALYSIS</th>
<th>CONSTRUCT INDICATORS</th>
<th>REFERENCES</th>
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<tbody>
<tr>
<td>Industry Structure</td>
<td>Inter-organization</td>
<td>BCG Matrix</td>
<td>Kotler (2000); Porter (1989); Harrison (2005); Christensen (1997); Grandori (1999); Eggertsson (1990)</td>
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<td>SWOT Analysis</td>
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<tr>
<td>Business strategic agenda</td>
<td>Organization</td>
<td>Strategic Drivers</td>
<td>Hax and Wilde II (2001); Harrison (2005); Hax and Majluf (1991); Lambin (2000); Kaplan and Norton (1992)</td>
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<td>Accountability</td>
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<td>Business Processes</td>
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<td>Performance metrics</td>
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<tr>
<td>ADAPTIVE PROCESSES</td>
<td>Organization</td>
<td>Strategic Driver: cost</td>
<td>Porter (1989); Venkatraman (1998); Hax and Wilde II (2001); Scase (2002)</td>
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<td>performance</td>
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<td>Performance metrics</td>
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<tr>
<td>Customer targeting</td>
<td>Organization</td>
<td>Strategic driver: target</td>
<td>Kotler (2000); Cozer (2003); Deighton (1996); Kohli and Jaworski (1990); Narver and Slater (1990); Hax and Wilde II (2001); Day (2001); Hanson (1999); Gilmore and Pine (1997); Venkatraman (1998); Baldwin and Clark (1997); Hagel and Singer (1999)</td>
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<td>Performance metrics</td>
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<tr>
<td>Innovation</td>
<td>Organization</td>
<td>Strategic driver: dominant</td>
<td>Hax and Wilde II (2001); Christensen (1997); Perez (2002); Benkler (2006); Noteboom (2003); Carley (1999); Orlikowski and Iacono (2000); Rust, Lemon and Zeithaml (2004); Hodges and Grayson (2001); Hanson (1999); De Masi (1998); Teece, Pisano and Dhuen (1997)</td>
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<td>Performance metrics</td>
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</table>

Source: Made by the authors.
5 METHODOLOGICAL ISSUES OF THE EMPIRICAL RESEARCH

In the empirical research that complements this study, the purpose was to identify the inter-organizational ties presented in the link of a value chain, to which two companies are connected and integrated— the supplier and one of the key-customers. The study was carried out in the context of the companies’ competitive framework of the companies using the Delta Model as reference.

Specifically, empirical verification of the applicability and suitability of the Delta Model proposal was tried by analyzing two organizations that comprise the classical marketing link in B2B, one supplier and one customer. The analysis aimed at the identification of the strategic framework of the chosen companies and assessing the managerial tool of customer bonding.

The case study format was chosen because the theme is relevant, emerging and characterized as exploratory since it contemplates contemporary aspects not yet fully established. Although it does not allow for statistical assumptions, the case study research is useful to verify the suitability of concepts and to confirm the theory in the scope of the organization under study, in addition to serving as reference for research in similar organizations (PETTIGREW, 1990).

The research strategy chosen, taking into account its peculiar advantages and disadvantages, was based upon three criteria defined by Yin (1994): (a) type of research subject, (b) researcher’s control over the actual behaviour of events, and (c) contemporary approach, as opposed to the historical phenomenon.

The chosen supplier was the Strategic Business Unit (SBU) of the communications company CDN, called CDN Interactive (CDNi). The choice was partly based on the access to strategic decision-making. The client company chosen for this study was a fast food chain1, based mainly on convenience, because the company has the following characteristics:

1) Researcher’s access to the company’s Strategic Agenda;
2) Researcher’s access to the company’s core customers.

In outlining the procedures, the steps followed were:

a) Definition of the analysis unit. The analysis unit is the organization, included in its environment.

1 This company prefers to be anonymous.
b) **Definition of the type of research.** This is a cross-sectional research since interest relies mainly on the characteristics of the organization at the time of the study.

c) **Selection of the analysis units and of the respondents.** Professionals inside and outside the company were interviewed, due to the work’s objective – to discuss the competitive process based upon relationships between the organizations studied through inter-organizational ties. The process was analyzed from the standpoint of two organizations representing the classical link in business marketing (B2B): supplier and customer.

d) **Data collection methods.** Many data collection techniques were used: interactive investigation of sites; analysis of documents; review of literature; semi-structured interviews in different areas of the organization; interviews in small groups; workshops; and structured interviews with customers and analysis of internal reports.

e) **Data survey.** The survey was carried out through semi-structured interviews involving the high management of the organizations and covering a period of three months (from May to July, 2005). The survey considered three groups of interviewees: a) corporate managers; b) operational managers; c) customers (corporate level).

The following professionals were interviewed:

- At CDNı: Director, Coordinators, Managers;
- At the chosen client: Communication Managers; Marketing Directors, Marketing VP (CMO), Directors of Information Technology (CIO).

To carry out the study, a protocol was set up with a sequence of procedures and a set of issues related to the core problem and the objectives of the empirical research, as described earlier.

6 **EMPIRICAL RESEARCH**

6.1 **CHARACTERIZATION OF THE COMPANY CDNı**

After 19 years in the Brazilian market (in 2006), “Companhia de Notícias (CDN)” is a leading communications agency, focused on public relations. The company’s main partners are: João Rodarte, Cláudio Pereira, Yara Peres, Andrew Greenlees and Roberto D’Avila.
The company has a strategic alliance with Fleishman-Hillard, one of the world’s biggest public relations firms, belonging to the Omnicom Group. Five groups Omnicom, WPP, Interpublic, Publicis and Dentsu dominate the global advertising market.

CDN employs more than 140 professionals. It has offices in five capitals of important Brazilian states: São Paulo, Rio de Janeiro, Brasília, Vitória and Porto Alegre. CDN Interactive (CDNi) is one of its business units (SBU), dedicated to the development of solutions in digital media. It has a team of journalists, web designers, programmers, producers and graphic designers, with support from a large network of collaborators and partners. CDNi main competitors are: Agência Click, Wunderman, Tribal and Ogilvy Interactive.

Demand for Internet-enabled services is strong (MSDW, 2008); advertising spending of US$ 21Bilions on Internet/Online (2007). The global consumer magazine market is currently worth about US$80 billion – up from about $71 billion five years ago (PWC, 2007).

6.2 ANALYSIS OF RESULTS

Table 2 presents the business outlook and core competencies defined by CDNi. The analysis of the elements in Table 2, collected from the interviews, identifies CDNi core competencies. The conclusion was that the customer value rests upon the text quality of CDNi’s work: for example, the correct use of Portuguese language. The Internet is full of incorrect use of grammar, absent of punctuation, and vulgar language.

The strategic option chosen by CDNi was the “total customer solution”, a strategic position based upon creating a strong customer bonding. This bond is achieved through segmentation of the customer base according to clear criteria about the relative importance of each customer (customer profitability). Likewise, thanks to the total customer solution positioning, CDNi possesses horizontal breadth (design, planning and content), and seeks to develop customer integration attributes.

Although the problem of the empirical research has been addressed using a case study focusing the CDN-customer link, the Delta Project conceives a central framework as a managerial tool, in which the strategy is developed based on a system of close company-complementor-customer relationship. Therefore, in the total customer solution framework, the Strategic Agenda of CDNi’s main customers must be analyzed.

From the available data, the margin of customer contribution was analyzed. Because their profitability was available due to issues of confidentiality the decision was to concentrate the study on one of the customers with the potential characteristics of complementor, so called “the chosen client”.
This procedure agrees with the Delta Model extension of the strategic management process to the main customers, surveying their strategic agenda with the purpose of integrating them into the value chain (PORTER, 1989).

<table>
<thead>
<tr>
<th>FRAMEWORK</th>
<th>UNIT OF ANALYSIS</th>
<th>INDICATORS</th>
<th>OPTION OF STRATEGIC POSITION BASED UPON:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Customer Solution</td>
<td>Organization</td>
<td>Customer profitability (segmentation of the customer base with clear criteria to identify the relative importance of each one)</td>
<td>Create a strong connection with the customer (customer bonding)</td>
</tr>
<tr>
<td>Strategic Agenda</td>
<td>Unit of Analysis</td>
<td>Customer participation</td>
<td>Cooperation</td>
</tr>
<tr>
<td>Business Vision</td>
<td>Organization: CDNi</td>
<td>Core Values: Commitment with quality of service, of procedures and of products delivered to customer</td>
<td>Strategic Vision Envisioned Future</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Keep the work environment creative, stimulating and ethical</td>
<td>Be the main supplier of communications products for 15 of the 100 largest companies acting in Brazil by 2015.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Encourage dissemination of innovations</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Core Proposal</td>
<td>Create quality communications products for the companies</td>
</tr>
<tr>
<td>Core Competences</td>
<td>Organization: CDNi</td>
<td>Customer perceived value</td>
<td>Capabilities Integration</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Differentiation among competitors</td>
<td>Content quality</td>
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<td></td>
<td></td>
<td>Expansion to new services generated from the core competence</td>
<td>Customer centered balance between creation and content</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>Commitment with end product delivery</td>
</tr>
</tbody>
</table>

Source: Made by the authors.
6.2.1 The customer case

Description of “the chosen client”

The company is present in 119 countries with 31,129 establishments, and is a global brand with a value of about US$ 26 billion - it is estimated that the client’s brand accounts for 76% of the corporation market value. In Brazil since the end of the ’70s, the first restaurant of the chain was opened in Rio de Janeiro and nowadays the company is one of the leaders in the segment of fast food restaurants and is in charge of 1,131 sales points, 583 kiosks and 548 restaurants – set up in 134 cities in 21 Brazilian states. Daily over 1.5 million people go to their restaurants. In 2004 the Brazilian branch reached R$ 1, 9 billion sales.

The entire company’s production chain employs 57,700 employees – 29,700 direct jobs and 28,000 in aggregated and complementary activities.

As a local business involved with the surrounding community and at the same time, as a global retail food chain, the company is in contact with a wide variety of stakeholders: customers, employees, franchisees, suppliers, local communities, NGOs, the scientific community, business associations, and government agencies.

6.2.2 Cooperation with the client’s customer: online mass customization

The client’s CMO called CDN for a digital marketing project but he had a problem. Diagnosis of the relationship between the Information Technology area (represented by the CIO) and Marketing (represented by the CMO) disclosed the existence of a misalignment between these organizational structures, which, because of a communication problem, do not integrate properly. In such a situation, the lack of an adequate interaction between IT and Marketing to achieve relationship with the end customer entailed the following problems: lack of coherence between structure and systems focused on greater value for the customer (DAY, 2001): and lack of a shared basis of knowledge needed to retain customers by customizing (HANSON, 1999). Difficulty in establishing consumer loyalty is due to three factors: lack of mechanisms (identification and customizing, segmentation and differentiation, clear opt-in, customer tracking), lack of actions (interactive dialogue, campaigns and promotions) and absence of results (quality of experience, loyalty, and immediate data for decision making).

To face these issues, the development a Portal Website was proposed by CDNi.

To set up the framework for the Relationship Website efforts were made to bring together concepts of communications, marketing information system,
relationship marketing, artificial intelligence, interaction model, website friendliness and complex networks).

The project of the Relationship Website was based upon three premises:

a) Identity and diversity;
b) Functional design;
c) Dynamism and attractiveness to generate fidelity.

To develop the project a team comprising ten professionals was formed. The work required some 1,400 hours of monthly activity. CDNi was the publisher of client’s web presence.

The main challenge of the Client’s Relationship Website project was customization by means of precise, timely and relevant customer information (HANSON, 1999).

Representation is how a product or service is portrayed to the customer. Customization through representation creates a tie between an individual and the packaging, positioning and imagery used to describe the product. This can be simple as occasionally using a customer name or as complicated as a complete reorganization of information to reflect personal preferences (HANSON, 1999, p. 198).

To develop the project of the Relationship Website, successful online business models in the fast food sector were initially identified. Afterwards, the customer targeting interface project was designed encompassing (DAVIES, 2004):

a) Presentation and breakdown of the Internet architecture;
b) Definition of the website’s strategy;
c) Action Plan with deadlines and effective implementation guidelines;
d) Definition of roles and responsibilities of the players involved (supplier-customer);
e) Estimate of resources and investments needed for development and implementation.

The project was presented to client’s Marketing Vice-President (CMO) and Marketing Planning Director on July 27th, 2005 after having been submitted to the CIO. Client’s Relationship Website started up in November 2005, and on December 7th it was awarded the Abanet/MSN 2005 Prize (Brazilian Association of Advertisers). Figure 2 details the main elements of the Relationship Website.
This project is a customer interface output of a customer targeting adaptive process and an example of the benefits of customer bonding supporting a total customer solution strategic position: the strategy developed around a system of close relationship between company-complementor-customer, represented here by CDNi and its client.

6.3 DISCUSSION OF THE RESULTS

The inter-organizational ties between the client and CDNi disclose the role of some features of the institutional environment like the forms of organization used by the chain. For instance, the proportion of self-owned stores, or the degree of forward vertical integration is high in Brazil.

On the other hand, an evidence of the connection between the strategic agendas of CDNi and his client is the Relationship Website (Figure 2) that represents the managerial tool, customer bonding. The Relationship Website framework is an internet marketing innovation in the field of human-computer interaction: customer-centric user interface and online mass customization (HANSON, 1999). This framework needs further empirical analysis to improve its utility. In this sense, the main added value of the paper is the empirical support it provides to the Delta Model.
CDN has held the client’s account for almost a decade and has a connection with the Omnicom group, globally in charge of the integrated marketing communications of the client. After launching the Relationship website (Figure 2) CDNi continued to manage the presence of the client’s brand on the Internet. As shown by the inter-organizational ties represented by the strategic agendas of supplier and customer, the Relationship Website Project (Figure 2) illustrates the conjunction of two vertices of a network of competencies: the client’s brand and the quality of CDNi’s content. As described in the theoretical framework (GUMMESSON, 2005) the organizations analyzed try to progress towards more flexible mechanisms around core processes, shaping a netlike structure combining the strength of the brand and the quality of the content.

Therefore, the focus on branding became clear when the client decided to review its way of operating in Latin America, selling the self-owned stores it kept in the region to a private equity fund. Only in Brazil, where the company invoiced US$ 1.25 billon in 2005, the group owned 307 stores, 57% of the total number of restaurants. The new business model is called developmental licensees by the client. The company will continue to own his global brand and will be licensing its use in restaurants through a master franchiser. It should be noted that the 1.5 million customers in Brazil may represent a risk for corporate reputation because promoting quality and satisfying the performance needs of a 1.5 million daily users is a challenge, which the company intends to face with this new business model.

The authors point out that Client’s Relationship Website is not an example of outsourcing of a specialized service, but a case of innovation on target market intelligence.

7 FINAL COMMENTS AND CONCLUSIONS

This paper aims at contributing to the discussion of concepts and process integration related to strategic management, strategic marketing, internet marketing, and inter-organizational networks.

In this study an analysis of the Delta Model by Hax and Wilde II (2001) was proposed, structuring it into a two dimensional matrix. In one dimension the matrix presents the following analytical categories: Competitive Positioning Framework, Strategic Agenda, Adaptive Processes and Performance Indicators. The second dimension comprises the categories unit of analysis, indicators (construct) and references in literature.

A case study involving a communications company and a large chain of fast food restaurants, found the existence of a significant support for customer bonding in the inter-organizational ties among the mentioned companies,
evidenced by the establishment of a relationship website. Customer bonding becomes clear for CDNi customers, due to the association with a customer the size of the chosen client, as well as for the client’s consumers. The website built in partnership with CDNi facilitates consumer communication with the fast food chain, thus strengthening relationship with the consumer and the value of his brand for their consumers.

The issues and results of the study contribute to a deeper research of the concepts and processes regarding inter-organizational ties, relationships between customer-company-complementor-supplier and inter-network competition.

As evidenced by Hax and Wilde II’s work, there is a bonding between CDNi (supplier) and “the chosen client” (customer), evidenced by the long term worldwide relationship (Omnicom group) and mainly by the “Relationship Website” – the creation of the website and its management since then. Based on the delta Model (increasing the client profits through Customer Targeting), the Figure 1 and the Table 2 show the strategy adopted by CDNi – the total customer solution – and the strategic position bases upon creating strong connection with the customer (horizontal breadth). This kind of relationship is a case of customer bonding.

By the analysis of the present case study could be considered that CDNi aims to use the customer integration as one of the three attributes of Total Customer Solution Positioning commented before, but the supplier has not reached this stage yet. CDNi is implementing the strategic process shift from internal value chain towards the integration with the players on the value chain, engaging with customer on the “Relationship Website”. On this form of strategy, there is the cooperation between players as proposed by Gummesson (2005) and efforts to offer a consistent portfolio of products and services that profit from the customer’s participation in the creation of value, resulting on a netlike structure combining the strength of the brand and the quality of the content (as mentioned before).

Future studies might apply the proposed analysis to more complex organizations with various business units, like multinational or meta-national corporations. In addition to a focus on inter-organizational ties and customer bonding, a closer exploration of the competencies network is suggested, considering that the client’s brand is tied to the text quality of CDNi, which illustrates well the construction of an inter-organizational network.

In conclusion, the Delta Project (Model) offers an original approach and seems to be a promising domain for studies on strategic business administration, integrating concepts and strategy processes, marketing and information technology in the context of a contemporary environment characterized by hyper-competition, competition among networks, innovation and market orientation as the philosophy underlying the company’s managerial activity.
REFERENCES


