Intrinsic value of business-to-business relationships: An empirical taxonomy

Sergio Biggemann a,⁎, Francis Buttle b

a Marketing Department, School of Business, University of Otago, Dunedin, New Zealand
b Macquarie Graduate School of Management, Macquarie University, Sydney, NSW 2109, Australia

ABSTRACT

This article presents a new taxonomy of business relationship value consisting of four dimensions: personal, financial, knowledge and strategic value that reach beyond the cost/benefit conception of value that dominates existing literature. This new taxonomy is useful for understanding how participants in business-to-business interactions assess relationship value. The taxonomy accounts for all textual references to relationship costs, benefits and intrinsic value in this case-based research. Perceptions of relationship value are not always organizationally consistent because relationships are social constructions. Instead, the evaluation of relationship value is ultimately in the historic and social context of the focal relationship, other relationships, and expectations of the future.

© 2011 Elsevier Inc. All rights reserved.

1. Introduction

Research broadly recognizes the importance of building and maintaining relationships in business-to-business marketing. However, researchers largely assume that the decision to engage in relational interaction or keep exchange at arm’s-length when dealing with other parties is based on the costs in building and maintaining relationships versus the expectation of increasing revenues, as if relationship value could only be assessed from a rather utilitarian perspective. Relationship value in business marketing research generally takes a cost/benefit form, in which one party chooses to invest in building a relationship with another party in the expectation that the benefits will outweigh the sacrifices made to build such relationship (Cannon & Homburg, 2001; Lapierre, 2000; Ulaga & Eggert, 2006). However, in the business-to-consumer literature some research has taken a broader perspective and identifies other types of value—for instance consumer value—that rejects the merely utilitarian perspective (Babin et al., 1994; Holbrook, 1999; Sánchez-Fernández & Iniesta-Bonillo, 2007). In addition to the cost/benefit dominance, much of the published work described below is conceptual in nature, rather than grounded in empirical research.

This article addresses the paucity of empirical research into relationship value by posing the fundamental question: How do relational actors identify and classify different forms of relationship value? This paper adopts a social constructionist view of business relationships regarding relationships as social constructions that result from the interaction between two or more companies over time. The value conferred on these relationships is also socially constructed by the parties in interaction.

As business practices change, the perceived value of business relationships also changes. Thus, this research aims to develop an empirically based taxonomy that captures the different types of value that individuals attribute to business relationships, while simultaneously portraying how value perceptions change as different contextual conditions impact relationship dimensions.

2. Literature review

Significant amongst the reasons why companies want to build relationships is the value that relationships generate. As Ford and McDowell (1999) observe, relationship value is a common theme in managers’ conversations, as well as in the business and academic literatures. However, they stress (as do other authors), that what counts as relationship value is often unclear. Keating et al. (2003) acknowledge that the academic and business literatures usually confuse relationship satisfaction with relationship value and use the terms interchangeably.

Transaction costs theory, which specifies value as the difference or ratio between costs/sacrifices and benefits/rewards, is particularly relevant to relationship value research (Macneil, 1980; Williamson, 1975). Either party invests in building relationships hoping to obtain enough benefits to reclaim costs and make a profit. Thus, either increasing rewards or reducing sacrifices relationships create value. This cost-reduction/benefit-increase perspective of relationship value dominates the business-to-business marketing literature.
Cost changes associated to building and maintaining relationships represent one stream of research. Relationships may increase costs due to the opportunity costs of resources that devoted to one relationship cannot be used on another. Other cost increases include supplier search costs, psychological costs, coordination costs, obsolescence costs, and integration costs. Relationships may reduce costs through face-to-face interaction, written communication, flexibility, adaptations, product quality, geographical closeness, and active monitoring of the market.

Research also associates product exchange to relationship costs, that is, operational, product, and acquisition (Cannon & Homburg, 2001), acquisition and operating costs (Kalwani & Narayandas, 1995), product-related sacrifices (production cost), service-related sacrifices (price), and relationship-related sacrifices (time, effort, energy, and conflict) (Lapierre, 2000). Beneficiaries of cost reductions could be customers (Ravald & Grönroos, 1996), suppliers (Kalwani & Narayandas, 1995) or both (Anderson, 1995; Spekman et al., 1998).

Other stream of research stresses the benefits that relationship delivers. Payne et al. (1995) define value as the summation of all positive effects upon a customer's business. Aastrup et al. (2007) argue that although relationships might increase costs by reducing negotiation power and inducing loss of full control of category marketing variables, the benefits of dyadic collaboration prevail and deliver positive net value. Ulaga and Eggert (2006) report that relationships deliver greater benefits than reduced costs as differentiators for suppliers striving to gain key supplier status. Sweeney and Webb (2002) find other forms of relationship benefits including symbiotic, psychological, operational, social, economic, strategic, and customization benefits. Lapierre (2000) clusters relationship benefits into product-related benefits (alternative solutions, product quality, product customization), service-related benefits (responsiveness, flexibility, reliability, and technical competence), and relationship-related benefits (supplier’s image, trust, and supplier solidarity with customers). Factors that increase benefits include coordination improvements, application of complementary information resources, and alignment of category aims and strategies (Aastrup, Grant, & Bjerre, 2007).

Relationships deliver value from early stages (Eggert et al., 2006) not only improving efficiency of operations but also, more fundamentally, by making business possible (Dzever et al., 2001). Nonetheless, the identification of costs and benefits poses a challenge; as relationship benefits are often future oriented, they are difficult to anticipate (Möller & Törrönen, 2003). Moreover, relationship value is perceptual in nature, thus, one party may not value what the other might think of as a benefit (Anderson et al., 1993). Indeed, different members of the same organization might construe relationship value differently.

Combining the hybrid organization model (Borys & Jemison, 1989; Thorelli, 1986) with previous work on relationship development (e.g., Dwyer et al., 1987; Scanzoni, 1979; Thibaut & Kelley, 1959; Wilson and Jantrania (1996) find three dimensions of relationship value economic, behavioral and strategic. Wilson and Jantrania argue that close-culture parties achieve synergies that facilitate the emergence of a hybrid culture.

In addition to the financial dimension relationship value includes knowledge transfer, reputational gains, and network access (Ford & McDowell, 1999), and provides the basis for building competitive advantage (i.e., strategic value) (Day, 2000). Relationships extend beyond retention and repeat purchase, they are special emotional constructs that include shared history, core beliefs, goals, sense of commitment, reliance, social support, intimacy, interest, respect, and trust (Barnes, 2003). Although extensive, the majority of the business marketing relationship value literature focuses on financial value and fails to produce a more comprehensive perspective of this complex construct. The paucity of empirical research and the need for a comprehensive and inclusive taxonomy of relationship value is evident.

2.1. A business to consumer and service marketing perspective on value

Babin, Darden, and Griffin (1994) view value resulting from the interaction of a consumer with the environment, extending value from utilitarian value only (i.e., performing an act to get something) to include hedonic value as well (i.e., performing an act because you love it). Holbrook (1999) drawing on the idea of interaction proposes three types of opposing consumer value, (1) extrinsic–intrinsic, (2) self-oriented–other-oriented, and (3) active–reactive. Extrinsic value is functional, utilitarian, and purpose oriented whereas intrinsic value is appreciated as an end itself. Self-oriented value is for the person’s own sake whereas other-oriented is value for their sake, beyond the self. Active value is the consumer doing something to or with a product whereas reactive value implies that a product does something to or with the consumer.

The interactivity between subject and object is a key aspect of Babin et al. (1994) and Holbrook (1999). This aspect acknowledges that consumption activities create emotion and together consumers extract value from those experiences. Flint (2006) describes value creation as the customer starts with the idea of using the product at the pre-purchase stage, values the purchasing transaction stage, values owning the product to de-valuing owning the product while enters into a new buying cycle. Utilitarian and hedonic value act positively on consumer satisfaction (Babin & Kim, 2001), purchase intentions (Babin & Babin, 2001), and customer share (Babin & Attaway, 2000), influencing consumer satisfaction and loyalty (Lai et al., 2009). Value conceptualization evolved from value-in-exchange, framing value in the context of transactional exchange (Bagozzi, 1975; Kotler, 1972), through value-in-use which sees goods and services value-free until they are used (Burns & Woodruff, 1992; Holbrook, 1994) to value co-creation that stresses that consumers co-create value with suppliers while using the offering (Vargo & Lusch, 2004), Payne, Storbacka, and Frow (2008) propose cognition, emotion and behavior as three elements of value co-creation.

Despite the extensive number of contributions Sánchez-Fernández and Iniesta-Bonillo (2007) conclude that existing research shows an excessive concentration on economic utility and that the conceptualization of consumer value remains unclear. Later, Sánchez-Fernández et al. (2009) augment that no single conceptualization or measurement of value has won universal acceptance, warning of scattered and inconclusive patterns of research. The focus in both value-in-exchange and value-in-use is firmly on the product or service. Neither considers that there might be value in the relationship between buyer and seller. The agents of transaction are invisible in both consumer marketing's value-in-exchange and value-in-use perspectives. However, the role of relationship is significant in value co-creation.

3. Research method

This multiple case study research (Yin, 2003) focused on one enquiry (Woodside & Wilson, 2003) (i.e., relationship value), includes data from four focal companies and their suppliers and customers, for a total of 15 participant companies in different industrial sectors. Case study A focuses on a manufacturer of structural and ornamental steel for the construction industry (associated company a1 is a distributor of steel).

Case study B investigates an international trader of vegetable oils (associated company b1 is a food processor).

Case study C examines a manufacturer of steel and aluminum cans (associated companies c1, c2 and c3 are a manufacturer and marketer of personal care products, a manufacturer of deodorants, and a manufacturer of lubricants respectively).

Case study D is about a manufacturer and marketer of photocopying and printing equipment and document management solutions (associated organizations d1 and d2 are department store retailers, d3...
is a University, d4 and d5 are distributors and d6 is a government
owned electricity retailer).

The main sources of information are 55 one-to-one semi-
structured interviews with 53 people ranging from managing
directors to sales representatives and professional buyers, see
Table 1 for an outbreak of interviews and other research data.

Data collection began at each one of the four focal companies at the
highest level of hierarchy that was possible to reach. At Company A,
access was granted to the National Vice President, Marketing; at
Company B, the CEO; at Company C, the General Manager, and at
Company D the General Manager, Business Solutions. After inter-
viewing these leaders, access to diverse levels of the organization
was requested, particularly to those dealing with customers and suppliers.

After each interview, interviewees were asked to identify other
informants and requested to help organize interviews with them. As a
result, in-company informants as well as suppliers and buyers of each
focal company were included. Informants were added until achieving
information saturation (Guba & Lincoln, 1994).

Information was triangulated by reviewing documents such as
marketing plans, sales contracts and agreements, and inter-company
correspondence. Company-to-company meetings were also attended.

Interviews always focused on the main topic of business-to-
business relationships: dynamics and value. New informants were
included following an issue-driven mode of inquiry; the research
followed a string of interconnected episodes that affected the
structure and perceived value of relationships by gathering data
from multiple informants acquainted with the issue. Although this
approach resulted in an unbalanced number of interviews between
cases studies, this paper argues that this does not diminish the
relevance of the study as results aim to build theory, not to be
generalizable to any industry in particular.

3.1. Data interpretation

Records from interviews were fully transcribed and put together
with notes from observation and texts from other documents. Initial
codes from existing literature, were used for data interpretation with
the aid of NVivo software. Texts were scrutinized at the level of
paragraph to relate them to different forms of value, such as costs and
benefits. Those passages that could not be related to literature-based
codes were paired with emerging codes from the data itself (e.g.,
market intelligence). Data were revisited frequently, questioning the
meaning of the texts and the appropriateness of the codes, and the
codes themselves were questioned for their suitability. This process
was repeated several times until both the codes and the texts attached
to them were deemed appropriate. This is a hermeneutic circle form of
data interpretation (Lewellyn, 1993; Thompson, 1997). Ultimately,
codes collapse into four dimensions of relationship value: personal,
financial, knowledge and strategic value.

4. Results

Fig. 1 illustrates a proposed model comprising four dimensions
and eleven sub-dimensions of relationship value resulting from
grouping interviewees’ perceptions of relationship value within and
between case studies.

4.1. Personal value

In a number of passages, informants assign value to relationships
based simply on their likes and dislikes about the other; this is labeled
personal value. Personal value is indicated in episodes when one of
the parties legitimizes or accepts the actions of others that, had other
actors been involved (individuals or companies), would have been
prohibited or disapproved.

| Table 1  |
|----------|----------|----------|----------|----------|
| Case study A | Case study B | Case study C | Case study D | Total |
| Interviews within the company | 12 | 7 | 8 | 16 | 43 |
| Interviews with customers | 0 | 1 | 4 | 0 | 0 |
| Interviews with suppliers | 0 | 0 | 0 | 0 | 0 |
| Total interviews | 12 | 8 | 12 | 23 | 55 |
| Observation of 1 Regional Sales team meeting | 0 | 0 | 4 | 4 | 0 |
| Direct observation of business practices | 0 | 1 | 0 | 1 | 2 |
| Direct observation of 9 meetings with major customers | 0 | 1 | 12 | 12 | 0 |
| Direct observation of business practices (mystery shopping) at retail outlets | 0 | 1 | 1 | 2 | 0 |
| Customer satisfaction survey | 1 | 0 | 0 | 0 | 1 |
| Dealer contract | 1 | 0 | 0 | 0 | 1 |
| Sales catalogs of distribution channels | 0 | 0 | 0 | 0 | 0 |
| Various editions of the internal communication letter | 1 | 1 | 0 | 0 | 2 |
| Various public documents | 1 | 1 | 0 | 0 | 2 |

Indications of personal value are present when interviewees comment that they are more willing to help a customer, or are more willing to tolerate an under-performing supplier because of difficult or unusual circumstances. One informant suggests that a good relationship provides “a buffer that could be utilized in difficult situations,” thus preventing relationship termination.

Company C’s most important customer, c1, experienced an extraordinary rise in demand that was well above forecast. As a result C could not deliver enough cans to meet demand, causing an extraordinary rise in demand that was well above forecast. As a result, C had to approach a competitor and buy from them at a loss to fulfill their obligations with c1. Nevertheless, C did not walk away from the relationship with c1, or the other way around. Instead, both parties cooperated to find a solution to the problem. C’s Sales and Marketing Manager commented that they were able to retain the customer because the relationship provided a kind of buffer of tolerance to errors which prevented c1 from seeking alternative suppliers. C’s General Manager reported:

"Company C supplied a university (d3) with a document management solution which worked so well that d3 became a very enthusiastic advocate. d3 was willing to give referrals to other prospective customers. Purchasing a cost-effective solution was not the only reason for d3’s satisfaction. Instead, d3 recounted the experience as being “a jointly-produced unique, solution to [d3’s] very difficult document management problems.”

D’s marketing manager elaborated on his company’s new strategy to rationalize the number of sales channels. He was arguing that some channels were more cost-effective and thus preferred over others and that his company had decided to stop working with channels not aligned with their strategy. However, when asked about exceptions he replied: “well, we may have to continue with [name of a small retailer]… he has worked with us for such a long time… we like him.”

These three passages illustrate elements of the personal value dimension. In one case, personal value leads to the retention of the customer and the supplier under conditions of duress; in the second case the customer generates positive word-of-mouth, and in the final passage personal value manifests through supplier retention. These actions could not be accounted for by the traditional assessment of transaction-cost elements of the relationship. The parties’ satisfaction with the relationship is not only about benefits either; this type of relationship value relates to non-economic satisfaction.

In a traditional cost/benefit assessment of relationship value, costs would outweigh benefits leading to a negative relationship value conclusion. The case-study evidence of parties assigning personal value to a relationship suggests that close connections between personal value and non-economic satisfaction foster higher levels of customer retention and/or referrals.

4.2. Financial value

Research informants identify various forms of relationship-based financial value, which cluster into four categories: (1) the belief that customers would be willing to pay more—estimates range from 0.5% to 5%; (2) the suggestion that close customer relationships represent an intangible asset that can be dollar-valued when a business is put up for sale, rather like goodwill; (3) the belief that high quality relationships help companies meet target budgets; and (4) the most widespread observation, that close relationships lead to increased business opportunities and improved efficiency.

Case study B supplies evidence of how relationships may lead to a greater share of customer’s business. B’s Customer Relationship Manager explains how their well-established relationship for managing customer b1’s inbound vegetable oils freight, gave rise to a number of new business opportunities with b1. So significant were these that b1 became the most valued customer of B.

The relationship with b1 is now going fantastic. We’ve got the crushing. Now they take most of the oil from it. We also have the freight from South America bringing sunflower oil for them as well, and that sort of contract. So we got shipping, and we are moving product in and we are also talking about the crushing plant. So that is coming in. We are selling the oil from our crushing plant which is always tough for us. Suddenly our crushing plant is making money so we are happy there. We are getting money from the freight, bringing imported vegetable oils for Australia and New Zealand, and then we got an opportunity in Western Australia. A little crushing plant that b2 used to buy they oil from has gone bankrupt and they came to us and said, guys we need someone who buy it, we are happy to sign a deal for a few years if you buy. Suddenly we have got the backing of the biggest consumer in Australia and all of it is coming from a relationship. Customer Relationship Manager. Company B

Financial value is not only evident in the growing share of the other party’s business, but also in increasing both parties’ share of a downstream market. For instance, in case study D, cooperation between retailer and supplier enhances accuracy of sales forecasts improving sales performance over five consecutive years.

For the Regional Manager of Company A, efficiency gains in order management processes are one of the major benefits of a close customer relationship. He reports:

If I have an agreement [with a customer], then I can expect to produce more efficiently, so I don’t have a great pressure on price because I know that attending this order is lower [in cost] than to other customers. I have nice long orders and big runs at the manufacturing facility, that is also easy transport, less people taking the order. Thus, my profitability increases because I will be more efficient. Regional Manager, Company A.

A sales manager in the same company estimates that a 2% price premium is attributable to a strong customer relationship. Evidence from case study B corroborates this position, as the trading and logistics manager states: “You know [that] you have a really good relationship when they are willing to pay a small premium.” His judgment of the expected price increase is between 0.5% and 1%.

Financial value connects to economic satisfaction, and indicates an increase in efficiency, more share of business, more share of market, and the willingness of the customer to pay more.

### 4.3. Knowledge value

Close relationships open communication channels that improve information sharing. Participants in the research regard this as gaining market intelligence, getting feedback from the counterpart, or as learning more about the partner’s business. One informant in Company B reports that one value of having a relationship is the generation of ideas that emerge from the dynamics between the parties.

A key account manager of Company D recalls significant improvements in communication flows as a result of a closer relationship with d2. D and d2 established a steering committee to analyze market trends, sales forecasts, and identify better ways to satisfy end consumers.

The big one is really idea generation. If you have an open relationship, ideas, discussion, willingness to participate, all these sort of things will be generated. Key Account Manager. Company D

Within the same relationship, d2 notified D that an introductory price point for a new color laser printer was too high because other companies supplying the market were about to launch their own models at lower prices. Overnight, D reduced the price a massive 30%. The key account manager adds: “The reason why that happened was because of the feedback that came from our marketing committee meeting with the key people at [d2].” The informant believes that without a good relationship in place that sort of information was unlikely to be available.

Informants in Company C point out the importance of packaging innovation to keep up with changing market requirements. This involves the co-ordination of at least three parties, the customer (contract packager/filler), the packaging supplier, and the owner of the brand. “If you don’t do that [get involved with the owner of the brand], [the owner of the brand] goes ahead, gets a designer who lives in “Neverland,” the design comes and you can’t print.” Coordination of such activities is not possible without a relationship in place.

A third dimension of relationship value is knowledge value. Knowledge value is the generation of new ideas, sharing information for better market intelligence and more innovation.

### 4.4. Strategic value

Relationships have strategic value because they decrease uncertainty and increase stability thus allowing parties in a relationship to extend the time horizon in planning. An enhanced planning process reduces risks, makes it possible to use assets more efficiently, and provides a strong foundation for business to thrive. Strategic value exists if relationships improve companies’ competitiveness.

A number of text passages indicate that relationships confer strategic value. For instance, Company C was appointed sole supplier to c1 as a result of their long-term relationship. Sole supplier status provides very secure grounds for long-term planning, lowering the risk of investments. Company A recalls a customer whose competitive position, as reflected in its ability to enter new markets, was considerably enhanced by switching from fiber-cement to steel. This enabled the customer to exploit supplier A’s and A’s parent company’s network of connections with other companies.

Changing to steel changes the product. Then working with [A] and [A’s parent company] would be incredibly important for them to enter the market. Vice-President Marketing. Company A

In another case, d1 demonstrates strategic value by bringing together two of their suppliers of computers and printers who had complementary products for a joint promotion.

The strategic value of relationships is evident in the long-term planning and access to extended network connections. Four dimensions of relationship value—personal, financial, knowledge and strategic value—are identified. Each dimension manifests through different sub-dimensions. This 4-D model fully accounts for all textual references to costs, benefits and intrinsic relationship value in this research data. Because relationships are context dependent, the value attributed to those relationships is likewise context dependent. Thus, the weight of each of the four dimensions of value attributed to a relationship varies from case study to case study, as well as within the same single case study. Table 2 summarizes the four dimensions and their sub-dimensions are accompanied by working definitions.

### 5. Discussion

This research exposes several dimensions of relationship value apart from the typical anchored to transaction cost theory. Personal value is one dimension of value where cost and benefits are less notorious. Personal value is mentioned on previous research, Ford and McDowell (1999) identify a form of relationship value connected to an individual’s personal beliefs or values while Barnes (2003) refers to

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Dimensions, sub-dimensions and working definitions of relationship value.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct</td>
<td>Dimension</td>
</tr>
<tr>
<td>Relationship value</td>
<td>Personal</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td>Efficiency</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge</td>
<td>Market</td>
</tr>
<tr>
<td></td>
<td>intelligence</td>
</tr>
<tr>
<td></td>
<td>Idea-generation</td>
</tr>
<tr>
<td>Strategic</td>
<td>Innovation</td>
</tr>
<tr>
<td></td>
<td>Long-term planning</td>
</tr>
<tr>
<td></td>
<td>Extended network</td>
</tr>
</tbody>
</table>
those forms of value that are more central to the feelings and emotions of the customer as emotional value and Baxter (2008) refers to this form of relationship value as intangible value.

However, this research finds that organizational actors detach personal value from the assessment of costs or benefits; value is instead seen as a unity. Organizational actors are able to attach intrinsic value to a relationship with no need to make utilitarian considerations. Personal value, like its equivalent hedonic value in consumer marketing, differs from financial value on that an organizational actor acts because she wants to, whereas the profits implications on financial value drive actions because the organizational actor has to. Although personal value is similar to hedonic value it does not rely on the interaction between subject and object that underpins Holbrook’s (1999) framework for analysis of consumer value.

Even so, research suggests that personal value is visible in customer retention and referral outcomes, which may in turn lead to increase financial value (Reichheld & Sasser, 1990; Reinartz & Kumar, 2003). As satisfaction grows, so may customer retention (Ennew & Binks, 1999; Eriksson & Vaghult, 2000). However, economic and non-economic satisfaction are distinct concepts (Geysskens et al., 1999). Economic satisfaction relates to valued financial or monetary outcomes and non-economic satisfaction derives from a valuable relationship, but not in form of the differences to costs and revenues. A number of studies couple personal value and non-economic satisfaction. For instance, Macrell (1980) asserts that personal non-economic satisfaction derives from relational exchange and Anderson and Narus (1984) define satisfaction as a positive affective state.

Conversely, financial value is linked to the monetary rewards that this paper associates with economic satisfaction. The excerpts from the vegetable oils case study support previous work in which satisfaction has been linked to economic outcomes of relationships (Geysskens, Steenkamp, & Kumar, 1999), as well as to relationship profitability (Storbacka et al., 1994).

Relationally-connected parties are able to discover new ways to manage their businesses to improve processes as well as to innovate jointly. Connections between parties are of significant importance for the parties’ learning (Håkansson et al., 1999). Ballantyne (2004) sees relationship-specific knowledge as socially constructed and co-created in interaction. Knowledge value, Ballantyne (2004) asserts, enables innovative solutions to emerge, improves mutual understanding and promotes trust. Knowledge value is in line with the value co-creation, Payne et al. (2008) propose. Likewise with Flint’s (2006) pre-purchase valuing.

Strategic value is consistent with Anderson et al. (1994) anticipated constructive effect on network identity, as well as with Møller and Törnroën’s (2003) proposition that one benefit of close relationships is that this provides access to resources of the other party’s extended network. The supplier assisting the customer to apply modern technology potentially increasing the customer’s market scope is called supplier driven value-added strategy (Møller, 2006).

Due to the socially constructed nature of relationships relationship value is not always perceived in an organizationally-consistent way. Instead, relationship value is ultimately evaluated in the historically-and socially-situated context of the focal relationship, other relationships, and expectations of the future. Researchers that use the network approach to study relationships, support the notion that exchange of acts or episodes—interaction—can have transforming effects on business relationships. Past experiences, perceptions of the present situation, and expectations of the future influence the parties’ evaluation of the relationship (Alajoutsijärvi et al., 2000; Ford et al., 1996; Håkansson & Ford, 2002; Håkansson & Snehota, 1995).

The context of interaction critically influences the perceived relationship value. Møller and Törnroën’s (2003) three dimensions of supplier value-creation potential efficiency, effectiveness or network, cannot explain the case study episode in which the can manufacturer is unable to fulfill the customer’s needs. The parties maintain the relationship because of perceived personal value. If the supply shortfall were to continue, this situation could become a relational context in its own right, thereby redefining the value of the relationship. Under the revised context, the profit sacrifices might lead to a perception of reduced financial value, diminishing perceived personal value and might lead to relationship termination. A reconstrual of the relationship and its associate value would occur.

In all case studies, the context of relationship performance affects the manifestation of value in one or more of the four dimensions. For example, company D produced a very detailed contract, called distributor’s agreement, to define the context of interaction within which strategic value between distributors and the company was to be created. The agreement enabled new distributors to be confident enough to walk away from other principals with whom they traded and to trade exclusively with D in the absence of a more trust-based relationship. Different effects of different contexts of interaction allow for the non-transaction cost approach of this model where buyer and seller appropriate relationship value without this being a zero sum game.

6. Conclusion

This paper contributes to studies of business relationships using the network approach. Outcomes of this research support the idea of multiple actors forming the context on which interaction occurs and explains differences in relationship value assessment by different relational actors permitting the detachment of relationship value from the traditional cost/benefit approach.

The paper extends the current typology and offers operational definitions for four dimensions of relationship value in the context of business-to-business marketing siding with Lindgreen and Wynstra’s (2005) call to distinguish between value of goods and services from value of buyer–seller relationships. This study also contributes to clarify the difference between relationship value and satisfaction. Future research on business to consumer and service marketing can rely on this study as their findings are consistent with the current views of value co-creation where buyers and sellers create and appropriate in interaction value that otherwise may not exist.

The number of occurrences of a particular dimension in this research data is not a good indicator of one dimension of value being more important than others as the process of data gathering was issue-driven. Business-to-business relationships can deliver value in one or more of the four dimensions, each of which is indicated by a number of sub-dimensions that may or may not be present depending on the context in which the relationships are constructed.

7. Limitations and directions for further research

Results of this research represent no specific population, they lack statistical generalizability. Although data were collected until saturation was achieved and all efforts were put to portray reality grounded on empirical data, another interpretation of data using different lenses may portray a different relationship value model.

Regarding further research, a number of empirical indicators for each dimension of value are implied in this paper. Researchers could investigate the association between perceived relationship value and business performance. Researchers could also investigate whether environmental conditions such as market turbulence or competitive intensity moderate the relationship between perceived relationship value and business performance.

References


Barnes JG. Establishing meaningful customer relationships: why some companies and brands mean more to their customers. Managing Service Quality 2003;13(3):178–86.


Thiabaut JW, Kelley HH. The social psychology of groups. New York: John Wiley & Sons; 1959.


