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Value creation in the relationship life cycle: A quasi-longitudinal analysis

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Abstract

Among the growing literature on value creation in collaborative buyer–seller relationships, most researchers examine relationship value at a single point in time. In the present research, we explore whether different stages of the relationship life cycle moderate the relative importance of value-creating dimensions. To shed light on the dynamic nature of value in B2B relationships, we present the results of a survey among purchasing managers using a quasi-longitudinal research design. Our findings confirm the moderating role of the relationship life cycle in value creation. More precisely, our results indicate that a key supplier's potential for value creation in customer's operations increases in relative importance as relationships move through the life cycle. In turn, supplier's capabilities to create superior value at the level of the customer's sourcing process display a decreasing role over the life cycle of a business relationship. No significant link was found in the present study between value creation through a supplier's core offering and different stages of a buyer–seller relationship.

Keywords: Relationship value; Relationship life cycle; Value dimensions

1. Introduction

There is a widespread consensus among marketing researchers and practitioners on the dynamic nature of business relationships (Holmlund, 2004; Johnson & Selnes, 2004; Medlin, 2004). Scholars repeatedly argued that buyer–seller relationships experience different stages characterized by distinct behaviors, processes or strategic orientations (Dwyer, Schurr, & Oh, 1987; Ring & Van de Ven, 1994). Most research exploring the dynamics of business relationships is of conceptual nature (Wilson, 1995; Wilson & Jantrania, 1994). Yet, from an empirical point of view, the dynamics of business relationships remain an under-researched topic (Wilson, 1995). Indeed, few studies have assessed the changing nature of key variables during the life cycle of business relationships. These studies focused on variables such as satisfaction, trust, and commitment (Jap, 2001; Jap & Ganesan, 2000).

In recent years, the concept of value has proved helpful to advance our understanding of business relationships (Anderson, Jain, & Chintagunta, 1993; Parasuraman, 1997; Ravald & Grönroos, 1996; Walter, Ritter, & Gemünden, 2001). Offering superior value to the customer is essential for creating and maintaining long-term customer–supplier relationships. According to Anderson (1995, p. 349) "value creation and value sharing can be regarded as the raison d'être of collaborative customer–supplier relationships."

Typically, value research examines relationships at a single point in time (Lapierre, 2000; Ulaga & Eggert, 2005). A notable exception from the prevailing snapshot approach is Flint, Woodruff, and Gardial's (2002) study of customer's desired value change in business markets. Value change leads customers to explore, maintain or terminate a relationship with its suppliers (Flint et al., 2002, p. 102). If suppliers do not anticipate a customer's value change, this may result in a deterioration of the relationship (Gassenheimer, Houston, & Davis, 1998). Consequently, suppliers need to be aware of customers' value changes to adapt faster than their competitors to these changes (Flint et al., 2002, p. 102). This activity is reflected in a supplier-initiated value change that motivates the customer to sustain the relationship with its supplier (Beverland, Farrelly, & Woodhatch, 2004, p. 931).

The emerging literature on the dynamic nature of value creation in business relationships suggests a number of

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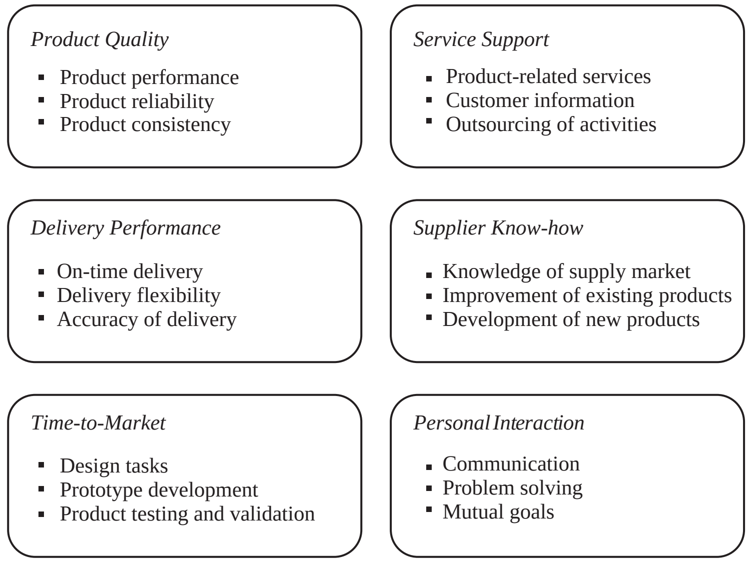

Fig. 1. Relationship benefit dimension (cf. Ulaga, 2003).

contextual conditions linked to changes in customers' value perceptions. For example, Flint et al. (2002, p. 112) develop a typology of contextual antecedents to value changes based on two sets of factors. One set of conditions encompasses factors external to the customer's organization, that is, changes in the desires of a customer's customers, changes in the strategies and/or tactics of a customer's competitors, changes in suppliers' offerings and performance levels, and changes in a customer's macro-environment. A second set of factors includes conditions that are internal to the customer's organization, such as changes taking place within the organization and the customer's perceived capabilities in terms of performance, knowledge, and control levels. Interestingly, none of these factors refers to the life cycle of a business relationship as a potential driver of changes in value perceptions. Nevertheless, it appears reasonable to assume that the perceived importance of the different value creating dimensions varies as a relationship moves through its life cycle.

In the present research, we investigate whether the importance of the various value dimensions is a function of the relationship life cycle. To shed light on this research question, this article is structured as follows: First, we briefly review the literature on customer value in business relationships and introduce our conceptual model. Next, we describe the quasi-longitudinal research design and data collection procedure. We then present our study's results. Finally, we discuss our research findings and the limitations of the study.

2. Literature review and conceptual model

Creating superior customer value is key to a company's long-term survival and success (Slater, 1997; Woodruff, 1997). In business markets in particular, customer value is the cornerstone of the marketing management process (Anderson & Narus, 2004). Despite its importance, research on customer value in business markets is still in an early stage (Flint et al., 2002). Although value assessment studies enjoy a long tradition in business marketing, they typically focus on the value of the physical product, neglecting relational dimensions of customer-perceived value (Dwyer & Tanner, 1999).

In recent years, researchers adopted a relational approach and considered customer value from a relationship marketing perspective. This has been described as 'relationship value' (Payne & Holt, 1999). The value of a business relationship is clearly a multidimensional concept that goes beyond the price vs. quality trade-off prevalent in consumer research (Dorsch, Swanson, & Kelley, 1998; Gassenheimer et al., 1998). Over the past years, researchers investigated the multiple facets of relationship value (Eggert & Ulaga, 2002; Lapierre, 2000; Möller & Törrönen, 2003; Ravald & Grönroos, 1996; Ulaga & Eggert, 2005; Walter et al. 2003; Wilson & Jantrania, 1994), and integrated the various dimensions of value creation into an overall definition of relationship value (Ulaga, 2003).

Customer-perceived value in business relationships can be improved by either increasing relationship benefits or

Table 1
Sources of value creation and corresponding value dimensions

	Sources of value creation		
	Core offering	Sourcing process	Customer operations
Relationship value dimensions	Product quality	Service support	Supplier know-how
	Delivery performance	Personal interaction	Time-to-market