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Searching for Relationship Value in Business Markets: Are We Missing Something?

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ABSTRACT

Economic value has always been the main consideration in decisions regarding alternative courses of action in management. The relationship perspective that became popular in service and business marketing research and practice involves the application of the value concept to business relationships. Recent research in marketing on the value of relationships has been concerned with identifying the various dimensions of relationships content that can, in principle, give origin to costs or benefits for the parties involved. The way in which parties in a business relationship perceive and interpret value and how their perceptions affect their behaviors have not been at the center of this research. We will argue in this paper that perceptions impact parties' behaviors and the way business relationships develop, and report findings of a longitudinal study of how buyers and suppliers perceive and interpret value of business relationships. We then revisit the concept of value and formulate three propositions regarding the meaning of value in the context of supplier–customer relationships.

1. Introduction

In management practice, marketing and purchasing decisions are regularly made with more or less explicit reference to the "economic value" of the alternatives, which estimates the cost, revenue, and profit consequences of the alternatives considered. In business markets in particular, the economic consequences are the dominant criterion in decision making. Also, the conceptualization of value has a long tradition in research, specifically in economics, management, and marketing. There have been recurrent debates regarding how to define "the value of things." The issue is subtle, but in economic theory the solution has been adopted to avoid the intricacies of the value concept by referring to the value of objects as the price manifests in exchange.

As relationship marketing became popular, the question of the value of relationships turned into an issue of concern in marketing, both business to business and in service. We witness marketing research and practice efforts to revisit the concept of value. The argument for re-thinking the value concept runs like the following: "starting from a concept of marketing linked to transactions, value for customers is embedded in the exchange of the product for money consideration; however, if we assume that marketing is based on relationships, the major role of the product starts to fade" (Grönroos, 1997, p. 411).

It is relatively straightforward to show empirically that, in relationships between a supplier and a customer, the economic consequences (costs and possible benefits) do not originate simply in the product/service transactions in a narrow sense, but in other aspects of the relationship. For instance, personal interaction can lead to transfer of valuable know-how, logistics can endanger the operations at a party, and communication flows can facilitate training, opportunity identification, innovation, etc. The issue at hand is that, as a corollary, the economic consequences of business relationships appear to be relation specific rather than transaction specific (Håkansson, 1982; Gadde & Snehota, 2000). Assuming that economic consequences can and do arise for reasons other than exchange of products and services makes conceptualizing and determining value much more complex.

There has been certain interest in modeling and measuring the value of customer–supplier relationships among business-to-business marketing scholars over the years (e.g., Morgan & Hunt, 1994; Anderson & Narus, 1998; Ravald & Grönroos, 1996; Walter et al., 2001; Ulaga, 2001; Lindgren & Wynstra, 2005; Ulaga & Eggert, 2006). The common thread in this research has been two issues: what makes business relationships valuable and how the value of a relationship can be assessed. Research dealing with the contributors to relationship value has produced insightful and elaborated models of value of business-to-business relationships, which appear to capture well the complexity of factors that account for the economic value of business relationships (e.g., Ulaga & Chacour, 2001; Ulaga, 2003, Ulaga & Eggert, 2006; Möller & Törrönen, 2003; Hogan, 2001; Baxter & Matear, 2004; Palmatier, 2008). The need to assess and measure the value of business relationships is acutely felt in management practice, but the models of value proposed in literature have had only limited following.

One reason for this reaction could be the insights offered from extensive empirical research on customer–supplier relationships in business markets (e.g., Hallèn, Johanson and Sayed-Mohamed, 1991; Håkansson et al., 2009). These studies show that the content of

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business relationships is multifaceted because of the variety of products/services exchanged, the multiplicity of activities carried out by the parties, and the interpersonal communication processes going on between the supplier and the customer organizations. This research also shows that business relationships tend to entail intense adaptations and interaction processes, and complexity of content beyond the grasp of the individuals involved.

Under circumstances that characterize business relationships (adaptive, emergent, and interactive situations), management attempts to pursue the criteria of economic value in business operations but struggles to act sensibly. It has been argued that acting sensibly under the circumstances involves interpretation of situations, and the way in which actors make sense of the context appears critical for orienting their behaviors, particularly in interaction between the parties (Weick et al., 2005).

The purpose of our study originates in this background. We are set to examine how actors interpret economic value of business relationships in which they are involved, in particular how the actors perceive what gives origin to value consequences. The present study is part of a larger research project dealing with the value of business relationships in the ICT Security industry. Data have been collected through bilateral, semi-structured, in-depth interviews at two different points in time with both the supplier and the customer in a relationship. We carried out 10 exploratory interviews with industry experts before asking 48 key informants involved in 15 relationships (in the first study) and in 7 relationships (in the second study). The interviews were used to obtain indications about what elements contribute to the generation of value of a given relationship in which the respondents were involved. Findings from the study suggest that the perceptions of value tend to be highly idiosyncratic, situational, and flowing. If confirmed, they would have implications for how relationship value can be conceptualized and assessed in research and how it should be approached in the management practice.

The paper is organized as follows: in the next section, we briefly review the growing literature on value of business relationships; in Section 3, we describe the study and its methodology; in Section 4, we present the main findings that are then discussed in Section 5. The paper concludes with the implications for theory development and for the management practice.

2. Conceptualizing value

There is a considerable body of literature that examines value in various fields of management, including strategy, finance, accounting, and marketing. Value is one of the cornerstones of business market management (Anderson & Narus, 1998), even if difficulties have emerged in conceptualizing and assessing it. Marketing research's recent emphasis on the relational nature of market processes and the "co-creation of value" represents a challenge. Indeed, the traditional approach to the concept of value applied when assessing the value of objects of exchange becomes of somewhat limited use. Marketing scholars are accepting the idea that relationships are significant, thus becoming more concerned with their value.

Studies of relationship value in marketing appear to be aimed primarily at identifying which aspects/elements of business relationships have, or can have, significant economic consequences in the sense that they incur costs or benefit the parties involved. Several scholars have provided rather extensive overviews of the literature on relationship value, proposing elaborate models of value (e.g., Anderson et al., 1993; Lindgren & Wynstra, 2005; Ulaga & Eggert, 2006; Henneberg et al., 2009). Some recurrent issues are evident in such attempts to conceptualize the value of relationships. The general consensus in research is that "perception of value represents some trade-off between the quality or benefits [consumers] perceive in the product relative to the sacrifice they perceive in paying the price" (Monroe, 1990, p. 46). Moreover, "the perceived value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given" (Zeithaml, 1988, p. 14). Scholars also tend to agree that value can have different dimensions (social, economic, monetary). Yet the value of a business relationship can be conceived only in terms of cost–benefit consequences of what occurs in the relationships between the parties involved, which include exchanges as well as various forms of interactions and communications (Ravald & Grönroos, 1996; Grönroos, 1997; Ulaga & Chacour, 2001; Walter et al., 2001; Eggert et al., 2005; Ulaga & Eggert, 2006; Pardo et al., 2006; Pinnington & Scanlon, 2009).

Empirical research has evidenced that value of a relationship can originate in numerous elements, such as product quality, delivery performance, service support, personal interaction, time to market, supplier know-how and direct, acquisition, and operation costs (Ulaga & Eggert, 2006). The value reflects not only the hardware and software components exchanged but also employees and their response capacity, flexibility, reliability, and competencies (Lapierre, 2000). Benefits and sacrifices can stem from the relationship itself as well as from connected relationships (Walter et al., 2001). Moreover, circumstances external to the relationships (e.g., the level of interconnectedness among network entities, the number of inter-firm ties, the authority in the contact portfolio, and the interaction among relational drivers) are important factors of relationship value as well (Van Den Bulte & Wuyts, 2007; Palmatier, 2008).

Most business relationships involve a richness, variety, and variability of elements that lead to benefits and costs for the parties involved. In a company's more important business relationships, the consequences that underlie the value tend to be complex and difficult to map. As value can be conceived only in terms of perceived consequences of ownership or use, it becomes dependent on the "subject of value" rather than simply on the features of the "object of exchange" (Zeithaml, 1988; Monroe, 1990; Holbrook, 1994; Woodruff, 1997; Sinha & DeSarbo, 1998). Thus, assessing the value of a relationship involves "a judgment comparing what was received (e.g., performance) to the acquisition costs (e.g., financial, psychological, effort)" (Oliver, 1997, p. 28).

Given the complexity of the possible dimensions of the perceived economic value of business relationships, the question then becomes to what extent these dimensions can all be simultaneously present in a relationship and how individual actors can perceive and cope with this complexity of value dimensions. In relation to these issues, contemporary research on the value of relationships becomes more differentiated.

A stream of work in contemporary studies of value assumes that the perceived value of a relationship primarily reflects the features of the offering and the content of the relationship. Explicitly or implicitly, this approach assumes that relationships have value in themselves and that such value can somehow be objectively established. Yet actors' perceptions create problems in that they may differ but, over time, will come closer to the "objective" reality. Assessments of value tend to be periodically reviewed, becoming more elaborate (and perhaps more accurate) over time (Eggert et al., 2005). Although several authors have emphasized the importance of perceptions of value, when assessing value they treat it as if it were objectively given (Ulaga & Eggert; 2006; Barry & Terry, 2008; Ulaga & Chacour, 2001; Lapierre, 2000). Consequently, they consider relationship value not only objectively given, but also homogeneous across relationships as the value has been treated when relating it to "objects in exchange."

Other scholars concerned with the value of business relationships take a radically different perspective and assume that different customers and suppliers have different expectations and perceptions about the consequences of their own relationships. These scholars tend to view value as "always uniquely and phenomenologically determined by the beneficiary" and therefore "idiosyncratic, experiential, contextual, and meaning laden" (Vargo & Lusch, 2008), changing over the course of time (Beverland & Lockshin, 2003; Flint et al., 2002; Flint & Woodruff, 2001). We too will treat value as actor specific.