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Measuring intangible value in business-to-business buyer–seller relationships: An intellectual capital perspective

Roger Baxter[a,*], Sheelagh Matear[b]

[a]*Faculty of Business, Auckland University of Technology, Private Bag 92006, Auckland 1, New Zealand*
[b]*Department of Marketing, University of Otago, P.O. Box 56, Dunedin, New Zealand*

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Abstract

The value that resides in a firm's relationships has both tangible and intangible aspects and both need to be developed and managed carefully. Marketing managers need to be able to understand these dimensions of value to manage them and to argue for their share of the firm's resources to effectively develop the value of the firm's relationships. This paper describes a study that adds to current knowledge of relationship value by testing a hypothesized model of the intangible part of the value that is manifested in buyer–seller relationships and by developing a set of scales to measure the hypothesized dimensions. The focus of the research, which synthesizes a conceptual framework from the intellectual capital literature, is on business-to-business situations and on the value of the relationship to the seller, rather than to the buyer. The analysis of data from a survey of relevant managers, using structural equation modeling techniques, gives support to the model and scales.

Keywords: Intangible value; Intellectual capital; Relationships

1. Introduction

The relationships a firm has with its customers "contribute to its organizational capital" (Hunt, 1997) and comprise an important part of its shareholder value (Payne, Holt, & Frow, 2000). The value in these relationships therefore needs to be understood and managed carefully. Marketing managers need to be able to understand the dimensions of this value to manage their portfolio of customer relationships effectively (Srivastava, Fahey, & Christensen, 2001) and to argue for a sufficient share of the firm's resources to develop these market-based assets (Srivastava, Shervani, & Fahey, 1998) for competitive advantage (Barney, 1991). Development of scales to measure this value is thus a useful research goal which is supported by calls for the quantification of market-based assets and their value (Srivastava et al., 1998) and for the provision of meaningful "measures, inferences, and calibration" in marketing (Day & Montgomery, 1999).

There is therefore a need for research on the measurement of relationship value, which is the subject of the study described in this paper. The specific aim of the study is to develop a model of the intangible part of the value that is manifested in buyer–seller relationships, from the seller's perspective, and a set of scales to measure it. The synthesis of a conceptual framework for relationship value from the intellectual capital literature provides a useful contribution to marketing theory by providing a base for further research and the empirical support from the study strengthens this contribution. The scales developed as measures of the hypothesised dimensions of intangible relationship value will be useful for managers, when further validated, for the assessment of a firm's relationships individually and in comparison to one another.

The focus of the research is on business-to-business situations and is on the value of the relationship to the seller, rather than to the buyer. It is not on the "customer value" (e.g., Christopher, 1996; Ravald & Gronroos, 1996) that is often the focus of relationship value research in marketing. It is specifically aimed at measuring the intangible part of the value in the relationship, rather than the tangible part, because assessment techniques are already available for the tangible part, such as Customer Profitability Analysis (e.g., Bellis-

* Corresponding author. Tel.: +64-9-9179999x5808l; fax: +64-9-9179269.
E-mail address: roger.baxter@aut.ac.nz (R. Baxter).

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Jones, 1989). Constructs derived from the intellectual capital literature are proposed as scales for this measurement. Based on the same literature, a model of relationship value and its manifestations is also proposed.

We continue this paper by establishing that relationships are resources with value, by defining the nature of the research in terms of the issues of value that it considers and then by discussing some ways in which intangible value can be measured. The model of intangible relationship value is proposed together with scales for its measurement. The methodology for, and results from, our empirical testing of these are then described, followed by discussion of the outcomes.

2. Theoretical background

To establish the theoretical background for this study, we first note in the following sections that relationships are resources with value, discuss what that value is and its provision to the relationship, and then discuss some issues of value measurement.

2.1. Relationships as resources

In a content analysis of the relationship marketing literature, Harker (1999) concludes that the following definition of relationship marketing by Gronroos (1994) has "best" 'coverage of the underlying conceptualisations of relationship marketing and its acceptability throughout the RM "community"':

> "Relationship marketing is to identify and establish, maintain and enhance and when necessary also to terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties are met, and that this is done by mutual exchange and fulfilment of promises".

The profit outcome noted in this definition indicates that relationships provide value. The view that business buyer–seller relationships provide value is well supported by the relationship literature, for example, by the work of the IMP group and related researchers (Hakansson & Snehota, 1982, 1995); by the application of the transaction cost literature to relationships (Wilson, 1995); and by the writings in the marketing and management literature on the Resource-Based Theory (Hunt, 1997; Srivastava et al., 2001).

2.2. Value in relationships

Although the subjects of this research are the dimensions and structure of relationship value, the basis for value provision and the structure of relationships themselves require some discussion for understanding of the proposed model and measures. Wilson and Jantrania (1994) and Wilson (1995), follows Thorelli (1986), Williamson (1991), and Borys and Jemison (1989) in using the word "hybrid" to describe buyer–seller relationships, which are the subject of this research. Hybrids are seen in transaction cost theory as lying between markets, which lie at one end of a spectrum of governance forms, and hierarchies or firms, which lie at the other end. They are seen as having properties of both markets and firms.

Thus, Borys and Jemison (1989) defined hybrids as "organizational arrangements that use resources and/or governance structures from more than one existing organization." This definition makes two important points: one is that hybrids are a conduit for the exchange of resources and the other is that they develop their own governance structures. The governance structure determines the processes that occur in the relationship and the value creation potential of the relationship comes about as the result of the exchange of, or access to, resources through the relationship. Borys and Jemison include five hybrid types in their discussion, ranging from acquisitions to the least structured type, contractual supplier arrangements. Wilson (1995) applies the hybrid concept to buyer–seller relationships in general.

Wilson (1995) builds on the work of Borys and Jemison (1989) and of Dwyer, Schurr, and Oh (1987) to describe a process model for relationship development with five stages, including one of value creation. The first three stages, which are search and selection, defining purpose, and boundary definition, have a strong focus on developing the structure of the relationship. The fifth stage is where the stability of the relationship is cemented in place by way of structural bonds, cooperation, and commitment that start to form in the fourth value creation stage.

Value creation in the fourth stage is "founded on the hybrid structure that has evolved from the earlier stages" (Wilson, 1995). The establishment of mutual goals, the input of nonretrievable investments and of relationship-specific adaptations to processes and products, together with strengthening of structural bonds, cooperation, and commitment, provide a structure through which value can flow. The flow of value to the parties, in the case of this research to the seller, is thus dependent on, and results from, the existence of the relationship.

This view of the relationship as an enabler for resource exchange is supported by other more recent empirical and conceptual work, particularly in the management literature. Thus, Gulati, Nohria, and Zaheer (2000), using a resource-based view approach, point out that a firm's network of relationships is "an important source for the creation of inimitable value-generating resources" and contend that "a firm's networks allow it to access key resources from its environment." In considering networks of relationships, Lee, Lee, and Pennings (2001) integrate the resource-based view and social capital theory in a study of technological startups in Korea, which shows a positive interaction on performance of firms' internal capabilities and of their linkages to resources through their networks. They point out that "Networks