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Partner selection in B2B information service markets☆

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ABSTRACT

This study investigates the impact of selection criteria associated with interpersonal interaction (such as good personal relationships) on supplier consideration. More specifically, it examines how the importance of these criteria depends upon service-related dimensions. This is an experimental study among client firms in the market research industry, which combines a conjoint and between-subjects design to lead to several new insights. First, while good personal relationships play an important role in the selection of a service provider, their impact increases if the service offering is subjective in nature, but it decreases if it is strategically important. Second, enriching the service offering with interpretation and advice is more important for subjective as well as for strategically important service offerings. Third, as to other selection criteria, the study results show some interesting differences between consideration and choice. Price has a substantive impact on choice alone, while a strong brand name is helpful for the service provider only in the consideration stage.

1. Introduction

Researchers in business-to-business (B2B) marketing have extensively studied relationship continuance and expansion issues (e.g., Ganesan, 1994; Moorman, Deshpandé, & Zaltman, 1993; Morgan & Hunt, 1994; Palmatier, Scheer, Houston, Evans, & Gopalakrishna, 2007; Sheng, Brown, Nicholson, & Poppo, 2006). This contrasts sharply with the paucity of empirical research on one of the core aspects of exchange: the selection of an exchange partner. Dwyer, Schurr, and Oh (1987) describe the initial stage of awareness of potential exchange partners and the subsequent selection practices. Insight into how such selection practices take place would benefit many B2B supplier firms. Despite descriptive models on the supplier choice processes in the early B2B literature (e.g., Choffray & Lilien, 1978; Webster & Wind, 1972), empirical research on supplier consideration and choice is limited (for an exception, see Heide & Weiss, 1995). In particular, the selection of a B2B service provider is far from straightforward due to recurring challenges, such as the difficulty in evaluating providers and the value of their service offerings and the problems associated with implementing service solutions.[1] This study focuses on the selection of information service providers (in particular, of market research agencies). The findings can be generalized to any industry where client-tailored information is the object of exchange (e.g., financial analysis, auditing services, legal assistance, consulting).

We pursue three objectives. Our main objective is to better understand the role of two selection criteria associated with interpersonal interactions and that facilitate information transfer. On the one hand, a client's preexisting good relationships with individual employees of a provider firm is a form of 'social capital', which may influence the probability that the provider will be considered for a new service offering. Prior marketing studies concur that such personal attachments influence partner selection (Heide & Wathne, 2006; Heide & Weiss, 1995; Tenbrunsel, Wade-Benzoni, Moag, & Bazerman, 1999; Wathne, Biong, & Heide, 2001). However, we know little about their precise role. Insight into the role of good personal relationships is valuable for both incumbent service providers wishing to maintain their existing clients and for newcomers wishing to land new clients.[2] On the other hand, service providers in information service markets can deepen their client relationships by enriching the service offering with interpretation and advice. Such enrichment is associated with intensified interpersonal interaction in order to fine-

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[1] We henceforth refer to the buyer firm as *client* and to the supplier firm as *(service) provider.*

[2] There need not be a perfect isomorphic relationship between the presence of good personal relationships and a prior history of collaboration. Client firms may have good personal relationships with employees of provider firms, even if the client firm and provider firm never worked together. While this situation does not conflict with the theory developed in this paper (which is fundamentally based on the presence or absence of good personal relationships), it will be taken into account when interpreting results and deriving managerial implications.

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tune the service offering to the client firm and improve information transfer. The criteria are distinct, as clients can share good personal relationships with market research agencies that provide research results with only minimal attention to interpretation and advice, while enriching service offerings with interpretation and advice often occurs in the absence of good personal relationships. Nonetheless, both facilitate information transfer, which is important in information service markets.

Second, we examine whether the influence of good personal relationships and interpretation and advice in the selection of an information service provider is contingent on the service solution sought. On the one hand, studies on information transfer suggest that the nature of information determines the need for interpersonal interaction (e.g., DiMaggio & Louch, 1998; Hansen, 1999). In particular, interpersonal interaction is a pre-condition for the effective transfer of subjective information. On the other hand, prior studies in (marketing) strategy explain that successful absorption of externally developed strategic information is crucial to firm performance (e.g., Levitt, 1986). We will argue that the objective/subjective nature and strategic/tactical importance of the service offering moderate the impact of good personal relationships and interpretation and advice. The study of the contingency effects of partner selection extends prior marketing literature where such effects have been largely ignored (e.g., Heide & Weiss, 1995; Wathne et al., 2001; Wuyts, Stremersch, Van den Bulte, & Franses, 2004).

Third, we explore the differential impacts of these and other selection criteria (price, expert image, recommendations, brand name) on consideration versus choice. Consideration consists of screening and simplifying the decision environment for a given service (e.g., Roberts & Lattin, 1991). Choice consists of selecting the optimal service provider from the considered alternatives. Prior marketing literature is inconclusive regarding the different roles of selection criteria, such as price, in the consideration and choice stages in B2B markets (Dawes, Dowling, & Patterson, 1992; Dorsch, Swanson, & Kelley, 1998; Levin & Jasper, 1995).

We present an empirical test that combines a conjoint experiment with a between-subjects design, where respondents consider alternative market research agencies (within subjects) for service offerings that differ in their degrees of objectivity and strategic importance (between subjects). Several of our findings indicate that a nuanced view of the selection of B2B information service providers is warranted. Good personal relationships are more important for subjective services but less important for strategically important services. Interpretation and advice is more important for both subjective and strategically important services. Price and strong brand name have different effects on consideration versus choice.

2. Conceptual background

The marketing literature related to partner selection criteria is limited. Interviews with practitioners and scant prior research (Tenbrunsel et al., 1999) tell us that, in addition to economic factors, social factors play a role when considering an exchange partner. In a different domain of study—new economic sociology—much attention has been devoted to the complex character of exchange and the economic and social factors influencing it. New economic sociology and the associated ‘embeddedness theory’ resulted from dissatisfaction with two classic conceptions of the individual actor: the economic and the sociological conception. The first conception corresponds to the utilitarian tradition including both classical and neo-classical economics, in which actors are atomized individuals driven by their pursuit of self-interest. Granovetter (1985) labels this conception ‘undersocialized’. The second conception corresponds to the sociological approach, where actors are obedient to their social context—the system of norms and values of which individual actors are part. This conception has been criticized for being ‘oversocialized’ (Wrong, 1961). New economic sociology is grounded in the idea that at all times, exchange is both economic and social (Braudel, 1985; Granovetter & Swedberg, 1992; Macaulay, 1963).

In recent years, marketing scholars have begun to implement some of these insights in the study of commercial exchanges (e.g., Frenzen & Davis, 1990; Heide & Wathne, 2006; Price & Arnould, 1999). Frenzen and Davis (1990), for example, assert that purchasing behavior is socially embedded when customers derive utility from two sources simultaneously, namely, “from attributes of the product and from social capital found in preexisting ties between buyers and sellers” (p.1). In line with this emerging field of research, we examine the influence of good personal relationships between client and provider on the selection of an information service provider. In addition, we examine the influence of a second selection criterion associated with intensified interpersonal interaction and improved information transfer, namely, the service provider's attention to interpretation and advice. A focus on interpretation and advice requires fine-tuning the service offering to the client-specific context and makes the information more actionable and accessible for the client firm.

We primarily investigate the consideration stage, the decision stage that precedes the final choice in which clients screen and simplify their decision environment and reduce the number of alternatives to a limited subset (e.g., Roberts & Lattin, 1991). We examine the role of good personal relationships as well as interpretation and advice in this simplification process. We hypothesize that their impact is moderated by service-related dimensions. While we will also explore subsequent choice, which entails a detailed comparison of the considered providers, we do not expect the service-related dimensions to further moderate the impact of selection criteria on final choice, as choice is by definition conditional upon the composition of the short-list.

3. Hypotheses

A search of the prior literature on partner selection, B2B marketing, and new economic sociology, complemented by talks with industry experts, resulted in the following six selection criteria. Good personal relationships facilitate information transfer and serve as direct information sources for assessing a provider's value as an exchange partner (e.g., Heide & Weiss, 1995). In addition, a strong brand name and other clients' recommendations serve as indirect signals of reliability (e.g., Anderson & Narus, 1998) and do not involve direct personal interaction between client and provider firm. The general expectation is that these three exert a positive effect on provider selection (e.g., Granovetter, 1985). The other three selection criteria belong to the provider's tactical repertoire, namely, enriching the service offering with interpretation and advice, expert image, and price. The general expectation is that the first two positively influence provider selection, whereas price, if influential, has a negative impact. However, this study focuses on contingency effects, and not on the (often rather straightforward) main effects of these selection criteria. To further delineate the study, we single out the two selection criteria associated with interpersonal interaction, namely, good personal relationships and interpretation and advice. Interpersonal interaction facilitates information transfer, a core concern in information service markets.

We derive two distinct motivations from the prior literature for firms to facilitate information transfer: the subjective nature of the service solution and its strategic importance. On the one hand, the relational exchange literature suggests that, as information becomes less objective, difficulties arise with regard to both accessing and evaluating it. This motivates firms to look for mechanisms that facilitate information transfer (e.g., Hansen, 1999; Wuyts & Geyskens, 2005). On the other hand, facilitating information transfer can be motivated by strategic interests because, as the prior (marketing) strategy literature has amply demonstrated (e.g., Levitt, 1986),