Journal of Business Research 65 (2012) 1132–1138

Contents lists available at SciVerse ScienceDirect

Journal of Business Research

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

ARTICLE INFO

Article history:
Received 1 February 2011
Received in revised form 1 June 2011
Accepted 1 June 2011
Available online 30 August 2011

Keywords:
Relationship value
Personal value
Financial value
Knowledge value
Strategic value
Business-to-business

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.

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.

* Corresponding author. Tel.: +64 3 479 8467; fax: +64 3 479 8172.
E-mail addresses: sergio.biggemann@otago.ac.nz (S. Biggemann), Francis.Buttle@mgsm.edu.au (F. Buttle).

0148-2963/$ – see front matter © 2011 Elsevier Inc. All rights reserved.
doi:10.1016/j.jbusres.2011.08.004

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