

Development of B2B marketing theory

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ABSTRACT

Despite the practice of B2B marketing dating back several thousand years, B2B marketing studies did not exist in significant numbers prior to the last three decades and we are now in the a stage of accelerated theory development. Contributions to B2B theory began at the end of the 1800s and in the early 1900s, but developments in the last decades have inspired this paper to study how the B2B marketing theory has evolved. The transition from an economic foundation to one built on the behavioral sciences and the recent wider applicability of B2B marketing theory towards other marketing fields is viewed in this paper as an exciting journey and is the focus of this paper. A historic development of the contributions reveals new knowledge on B2B research development and its applicability which is beneficial not only for researchers in B2B marketing research and industrial firms, but also other marketing fields.

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1. Introduction

Commerce between organizations has been around since organizations were first developed. And of course this means that B2B marketing has also existed for millennia. While the study of Business to Business (B2B) marketing can be traced back to the 1890s, significant contributions to (B2B) marketing theory have only been made during the last three decades. Research of B2B marketing was silent over a long period of time, and our understanding of it was based on implicit, individualized, and experiential based on the behavior of businessmen (Hadjikhani & LaPlaca, 2012); it existed in society but had little scientific identity or inquiry. It took several centuries before business relationships gained a specific focus of scientific inquiry (Carratu, 1987; Sheth, Gardner, & Garrett, 1988). Since then the field has undergone significant development and impressive change. But still, as demonstrated by LaPlaca and Katrichis (2009), was severely underrepresented in scientific marketing research. When reviewing 900 articles published over a twenty-four year period in *Industrial Marketing Management*, LaPlaca (1997) showed that while there has been a significant increase in B2B relationships articles, articles on topics such as segmentation and sales management dominated the published literature in this field. The increasing research attention towards B2B has also been demonstrated by Johnston and Lewin (1997) in their analysis of 10 years of publications in the *Journal of Business and Industrial Marketing*. Following the development of B2B as a subset of general marketing theory, this paper will look at the development of B2B marketing as it evolved from a primarily economic perspective to one encompassing behavioral theories.

Behavioral science contributions to B2B beginning at the end of the 1800s and in the early 1900s, and more explicitly in the last three decades have transformed how we think of B2B marketing and have enabled us to apply marketing theory to an ever increasing variety of interorganizational buying situations. The development from economic to behavioral science and the recent wider applicability of B2B towards other marketing fields such as service marketing and e-business is conceived in this paper as an exciting journey capturing the focus of this paper. A historic development of the contributions may reveal new knowledge on its applicability which is beneficial not only for industrial firms, but also other marketing fields.

1.1. John Wanamaker; an early pioneer in B2B thinking

Despite the implicit practice of B2B marketing dating back several thousand years, recent research appears to hold the belief that B2B marketing and relationship studies did not exist prior to the last three decades of the twentieth century, and we are in the first stage of development. But if we turn our attention to a century ago, we can find that the initial stage of business and customers relationship was discussed in the 19th century by Wanamaker (1899) (cf. Jones and Richardson, 2007) whose business philosophy transformed both his retail organization and its customers' and suppliers' behavior (Tadajewski, 2008). Before Wanamaker, Ely (1884) led an attack against the orthodox economic theory and proclaimed the succession of the 'New School' 'the German Historical School', over the classical economic school (see also Jones & Monieson, 1990a,b). Despite these contributions, research into B2B behavior did have a troublesome journey.

Wanamaker (1899), as a very successful businessman in retailing, was one the first founders of a retail business that clearly understood the roles of customers, retailers and producers. As one of the most

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innovative retailing entrepreneurs in the nineteenth century he revolutionized merchandizing and scientific techniques in business (*The Washington Post*, 1953). Wanamaker's philosophy was diametrically opposed to those who favored maximum profit for sellers and was enunciated in his view that there needed to be "generous and proper balance between buyer and seller" (p.7, cf; *Tadajewski*, 2008). Rather he emphasized that, in his business system, customers, retailers, and producers must have close contact for the benefit of all (p. 33; *Tadajewski*, 2008).

Interestingly, Wanamaker stated that most merchants at that time were not interested in satisfying their customers. Instead, he proclaimed that their goal was to reach maximum profit. Repeat purchases, reliability and full fairness were not deemed fully consistent with the profit maximization objective. (Inherent in this philosophy is a short-term orientation; maximize immediate profits.) Against the prevailing economic perspectives of his era, Wanamaker, instead, proclaimed that investments in his organization were to foster repeat purchases, mutuality and reciprocity in the exchange between stores and customers. Clearly Wanamaker was taking a much longer perspective than did his competitors. These seemingly radical views at the time which were extremely important for Wanamaker are well known and have captured the attention of a large number of recent B2B researchers (cf. *Bagozzi*, 1995).

Wanamaker repetitively stressed that without expectation of mutuality, unless prospective exchange partners willfully fulfill both sides of the bargain, there will not be any relationship. Mutuality, for Wanamaker in this case, as *Tadajewski* (2008) explains, refers to the idea that merchants, customers and producers should find the resulting exchange both satisfying and profitable (e.g., *Appel*, 1911: 48). Or the view of trust which lately has attracted a large number of B2B researchers was already denoted by Wanamaker as a way of connecting with the customers. The style of being "honest", "homey" and "folksy" (*Gibbon*, 1926) in, for example, sales force behavior and advertisements served to reinforce the businessmen as a trusted member of the "local" community.

Fascinatingly, Wanamaker is one the pioneers expounding the economic foundation of marketing and implicitly urged the incorporation of social and behavioral sciences to better understand and explain economic behavior. He and some of his followers recognized the necessity of shifting their views from a transactional to a relational foundation. And he explicitly saw this affecting both the B2C and B2B aspects of his business, i.e., both the supply and demand chains (cf. *Gibbon*, 1926). But it took more than 80 years before B2B researchers returned to and applied these views and concepts presented in the 1890s. Following Wanamaker the process of development, traced in the last century's contributions, has several different but interconnected paths. Ignoring (or ignorant of) the earlier contribution of Wanamaker in the 1890s, later researchers transitioned from the economic foundation and urged for social and organizational behavior theories. Some of them recognized this development as a paradigm shift from a transaction to a behavioral and relationship focus (cf. *Achrol*, 1997; *Dwyer, Schurr, & Oh*, 1987; *LaPlaca*, 2009; *Sheth & Parvatiyar*, 1995b). Various research camps focused on direct consumer marketing (cf. *Fournier*, 1998; *Hadjikhani & Seyed-Mohammad*, 1998) while others were concerned with ideas on industrial and business-to-business exchanges (cf. *Corey*, 1976; *Håkansson*, 1982; *Hill*, 1975).

1.2. Moving forward in B2B research

While the field of marketing as an approved academic endeavor began in the early 1900s and is now 100 years old, comprehensive research in B2B marketing has existed for only about 30 years (*LaPlaca*, 2009; *Sheth & Parvatiyar*, 1995a; *Wilkie and Moore*, 2003). Despite its underrepresentation within the overall field of marketing, the journey to B2B research is exciting and has undergone significant changes during this period, and today a rich body of marketing literature exists. The development of B2B marketing theory has been structured

in different paths. *Sheth and Parvatiyar* (1995a) identify the three stages of market development as, a) pre-industrial, b) industrial and c) post-industrial eras and connect the development of B2B to these stages of market development; *Wilkie and Moore* (2003), on the other hand, describe marketing thought as developing along five stages of: a) pre-marketing (before 1900), b) founding the field (1900–1920), c) formalizing the field (1920–1950), d) paradigm shift (1950–1980), and e) intensification of shift (1980–present). In these two types of categorization of B2B development, the foundation of marketing behavior before and during industrialization, the theory of exchange dominated marketing research until the 1980s. During the post-industrial or post-paradigm shift stages, researchers increasingly applied behavioral theories to further B2B marketing theory (*Fig. 1*).

Undoubtedly B2B marketing research and the development of a comprehensive B2B marketing theory has intensified in B2B research during the past few decades (*Hadjikhani & LaPlaca*, 2012), we believe that B2B theory development has undergone several changes in its fundamental basis. This development has been influenced by the acceptance or rejection of others' contributions. We can observe that the development forming an overall B2B marketing theory, and even within B2B, has been an evolutionary process, but that it also contains turbulent transitions with emphasis shifting from on one theoretical base to another.

We will look at B2B marketing theory development firstly by contrasting exchange theory (transaction based marketing) and behavioral theory (relationship based marketing). We will then look at recent developments in B2B marketing theory and finally look at some unresolved issues and speculate how researchers might seek answers to these issues.

2. B2B marketing and exchange theory development

2.1. Economic perspectives

Early marketing theory was a direct application of economic theory. With little product differentiation and perceived homogeneity of business markets, rational, economic-based decision making was the perceived norm based on a more rational, i.e., economic, base contrasted with consumer choices perceived by many as irrational or emotional. The basic criterion in industrial buying was the lowest price with acceptable quality and delivery. And while trading parties did establish preferences, the explanation of these decisions was based solely on the low cost supplier getting the sale. This line of reasoning applied equally well to capital goods, ingredients and components, MRO goods and industrial services such as transportation, insurance and other items. The economic man was king and other perspectives, such as those posed by Wanamaker, were ignored. After all it was far easier to quantify costs, profits and margins than concepts such as preferences or even many aspects of quality (other than acceptable or non-acceptable). This fit in nicely with short

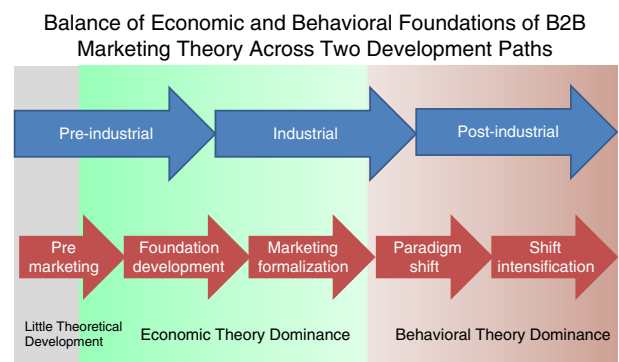


Fig. 1. Balance of economic and behavioral foundations of B2B marketing theory across two development paths.

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