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Relationship quality as a resource to build industrial brand equity when products are uncertain and future-based

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ABSTRACT

This article extends our understanding of industrial branding and the influence of buyer–seller relationships by examining key constructs within an industrial context where products are uncertain and future-based. SEM results elicited from 249 buyer surveys empirically validate satisfaction, trust and commitment as dimensions of relationship quality, and show that buyer–seller relationship quality facilitates direct and indirect seller brand equity accruals. Findings reveal that while focusing on sellers' corporate and product brands is good advice for building buyer–seller relationships, seller resource allocations to these areas should vary depending upon the selected target market segment(s). Findings support that sellers should place more focus on developing quality relationships with buyers than they should in focusing on the non-relational attributes of their corporate brands; however, if sellers choose to bypass building high quality customer relationships, they should instead funnel resources into their product brand offerings. Findings demonstrate that buyers credit their own skills and acumen when evaluating products with which they are confident, and ascribe increased value to the involvement of the seller as their attitude and certainty decrease. These findings provide strategic guidance to the sellers of uncertain and future-based industrial products.

1. Introduction

Extant theory recognizes sellers' corporate and product brands as valuable resources that impact competitive position and advantage (Arnett, Laverie, & Wilcox, 2010; McDonald, de Chernatony, & Harris, 2001). These brands act as key signaling mechanisms, which convey critical and differentiating information to current and prospective customers (Aaker, 2004). To date, "virtually all discussions of branding" have been framed in consumer contexts (Webster & Keller, 2004, pg. 388); as a result, the need for conceptual and empirical studies addressing branding within industrial contexts persists (Marquardt, Golicic, & Davis, 2011).

Relationship marketing is a proximal and complementary topic area that posits buyer–seller relationships as valuable resources that facilitate positive customer value attributions and responses, and superior seller performance outcomes (Hunt, 1997; Skarmeas, Katsikeas, Spytopoulou, & Salehi-Sangari, 2008). A particularly promising subset of relationship marketing focuses on the quality of the relationship between exchange partners (Huntley, 2006; Ulaga & Eggert, 2006). The underlying premise of relationship quality discussions deals with how to optimally develop, organize and leverage customer relationships, which has significant implications for industrial marketing managers.

While our knowledge of these areas is growing, they are presently underdeveloped and there remains a need for research investigating the role and impact of buyer–seller relationships in the industrial branding process (Huntley, 2006; Ulaga & Eggert, 2006). As a result, the call for conceptual and empirical studies addressing the industrial branding process and the role of buyer–seller relationship quality within the industrial branding process persists. Within this study, the author investigates the interplay of buyer attitudes toward sellers' corporate and product brands, buyer–seller relationship quality, and seller brand equity accruals by examining the predictive relationships between and amongst these important determinants of buyer behavior and seller performance within a previously unexplored industrial context where product offerings are uncertain and future-based in nature—e.g., the Thoroughbred consignment industry.

Box1

Research Question: How does buyer–seller relationship quality influence industrial brand equity when products are uncertain and future-based?
Unit of Analysis: *Buyer–seller relationship from the buyer's perspective*

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Table 1
Sampling of industrial contexts that share similarities with the thoroughbred consignment industry.

Industrial contexts	Similarities with the Thoroughbred consignment industry
Service offerings Venture Capital Funds/Angel Investment Funds/Restaurant, Medical, Insurance, Accounting, Financial, Architectural, Banking, Construction, Pastoral, Real Estate and Risk Management Services/Municipality, Corporate and Personal Wealth Management Services/etc.	Similar to the Thoroughbred consignment industry, each of these contexts involves the presence of an intermediary service provider whose purpose it is to enact proprietary tacit knowledge and resources in a manner that enhances the exchange benefit (economic or other) to other parties, and/or manage risk in the integrated value chain. Due to the speculative nature of these offerings, equity attributed by the buyer to the seller may have a pronounced impact on buyer value assessments. For example, investor trust in a venture capital and/or angel investment fund manager's ability to accurately prognosticate the future potential of uncertain investment vehicles plays a central role in building these funds; restaurant investors and managing partners routinely find success partnering with respected local and celebrity chefs; and wealth managers routinely utilize tacit, relational, and data-driven resources to predict future results, and to construct optimal resource allocations and customer portfolio composition.
Tangible good & hybrid product offerings Automobile Design/Farm & Crop Production/Land & Hardscaping/Small Batch Distilled Products/Viticulture/Winemaking/Craft Beers/Art & Design/Television, Movie, Musical and Sports Works/College Athletic Recruiting/Sports and Celebrity Prospecting & Talent Management/Sponsorship Contracting/Endorsement Contracting/Flipping Houses/etc.	The offerings in each of these contexts share similarities with the Thoroughbred consignment industry in that they involve the development, marketing, distribution, and capturing of value on uncertain and future-based product offerings, for which buyers may sometimes attribute and extend value to the brands associated with the product offerings. For example, Boston Beer Company routinely finds success with previously unreleased seasonal and/or specialty varietals of its Samuel Adams Beer; futures are routinely traded on Chateau Lafite-Rothschild wines, which typically ship 2½–3 years after purchase, are recommended to be cellared for an additional 10–15 years, and which are then recommended to be drunk over the next 50 years; and enormous and speculative pre-production studio investments on films have become the industry norm, due in part to the successes of disparate franchises such as Avatar, The Hangover, Twilight, and the Avengers, all of which utilized success formulae that included the leveraging of strong secondary brand associations, and all of which provided attractive and compelling studio returns (http://www.the-numbers.com/movies/1982/0ET.php).
Education, professional and leadership offerings College Tenure and Non-Tenure Track Hires/Ph.D., Masters, Undergraduate, and Private School Student Admissions/Medical, Law, Accounting, Managerial, etc. Hires/Internship Hires/Executive and Advisory Board Decisions	Similar to the Thoroughbred consignment industry, each of these contexts involves value attributions, evaluations and choices based upon uncertain and future-based product offerings. Also similar to the Thoroughbred consignment industry, the predictability attached to the individual offerings (e.g., prospective students, interns or new hires) is often more variable than is the predictability attached to the linked organizational brand (e.g., within the assistant professor hiring market, institutional and/or advisor brands, relationships and recommendations often carry more predictability and weight than do the credentials of the individual being assessed; private sector new hires and/or internships are often made possible by a student's work with a well-respected professor/mentor/company, and/or recommendations from that source).

It should be noted that within each of these contexts that the products are uncertain and future-based.

2. Research context

The author of this work is an industry expert whose experiences affirm the Thoroughbred consignment industry as a fertile context in which to investigate three significant conversations/opportunities within the marketing literature. The first relates to examining the branding processes utilized in industrial marketing contexts, which deviate in strategy and implementation from those utilized in consumer contexts (e.g., Webster & Keller, 2004). The second centers on the role and interplay of buyer–seller relationships within industrial marketing contexts (e.g., Huntley, 2006; Ulaga & Eggert, 2006). The third deals with the branding of offerings that tend to be uncertain and future-based in composition (e.g., Armstrong & Kotler, 2007).

This study focused on product brands (racing prospects) sold through Thoroughbred sales auctions by industry sellers (consignors) who are in business to sell their own product brands (racing prospects), the product brands (racing prospects) of others, or some combination or the two. While to some it may seem as though Thoroughbred consignment would be a context that is unique unto itself, this is not the case; and the industry's integrated value chain structure is similar to many others that feature products that are uncertain and future-based (e.g., product performance and outcomes will not be realized until some future point of time). A cursory sampling of such industrial contexts is introduced in Table 1.

3. Building the theory

To date, the vast majority of our branding knowledge relates to branding in B2C contexts. While our knowledge of industrial branding is increasing, it still lags far behind our knowledge of consumer branding. The purpose of this research is to extend our existing industrial branding knowledge, specifically in regard to the branding of industrial products that are uncertain and future-based, through the use of theory elaboration, a research technique that involves the application and extension of existing theory into new research settings or contexts (Lee, 1999).

This section draws on the extant literature in order to lay out the study's theoretical foundation, hypotheses and structural model. The cornerstone of this research is resource-advantage theory, which serves to ground the study's three branding constructs: 1) buyer attitude toward the seller's corporate brand, 2) buyer attitude toward the seller's product brand, and 3) seller brand equity, as well as the study's fourth and central construct, 4) buyer–seller relationship quality. This study examines these areas by overlaying survey data drawn from the Thoroughbred consignment industry.

3.1. Resource-advantage theory

Resource-advantage theory focuses on the resources available to a firm, thereby helping to explain from a resource allocation and utilization perspective how brands are built and why one brand is able to outperform another (Hunt, 1997). Brand performance is determined by, and contingent upon, the firm's use of available resources (Hunt & Morgan, 1995). Resources that are difficult for competitors to imitate provide firms with advantages relative to competitors, and in certain instances, the potential for sustained competitive advantage (Barney, 1991, 1996).