Target and position article

Value synergy and value asymmetry in relationship marketing programs

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A B S T R A C T

Prior research advocates a positive, linear association between relationship investments and relationship performance. Our study challenges this conventional wisdom and advances the extant literature by investigating the potential curvilinear effects of suppliers' different relationship marketing programs (i.e., social, financial, and structural) on dyadic perceptions of relationship value. From an analysis of 113 buyer-supplier dyads, we found that social programs enhance relationship value synergy, but their effect on relationship value asymmetry between suppliers and buyers follows a U-shaped curve. On the other hand, we observe a positive and increasing returns-to-scale effect of financial programs on relationship value synergy and its inverted U-shaped association with supplier's relationship value asymmetry. Interestingly, structural programs increase relationship value synergy and have a stronger effect on increasing relationship value for the supplier than for the buyer. In addition, we find that structural programs are more effective in creating value in long-term relationships than in short-term relationships; therefore, as the relationship with a buying firm ages, managers should consider investing more in structural programs to develop their relationship. However, in long-term relationships, managers should avoid investing too much in financial programs because financial programs are less effective in increasing creation of relationship value as a relationship ages.

1. Introduction

The business-to-business marketing literature has long recognized that relationship investments enhance relationship performance (Palmatier, Dant, Grewal, & Evans, 2006, Palmatier, Gopalakrishna, & Houston, 2006, Palmatier, Scheer, Houston, Evans, & Gopalakrishna, 2007). Practitioners, however, are less certain about whether they gain much value from their investments in building close inter-organizational relationships with customers, as they increasingly realize that “close relationships are not always synonymous with good relationships” (Anderson & Jap, 2005, p.75). The high failure rate (30%–50%) of close relationships, such as joint ventures or alliances, between firms and either their suppliers or customers has led managers to reconsider the linear view of their relationship building efforts (Anderson & Jap, 2005). Moreover, the rising opportunistic behavior in today's complex supply chains has created the risk that one party in a dyadic buyer-supplier relationship can gain greater value at the expense of the other (Vandenbosch & Sapp, 2010). Such opportunism puts pressure on supplying firms to consider not only how much new value their investments can create for the relationships, but also how much value they can receive compared to their partners. Given the high costs of investing in business relationships, it is critical for managers to effectively tackle these two challenges; however, prior research reveals a gap to the extent that it has not completely explained this important phenomenon.

A review of the extant literature on buyer-supplier relationships reveals three notable limitations. First, few empirical studies address the complexity of how relationship investments affect relationship performance. On one hand, building on the reciprocity norm of social exchange theory, previous research has focused on the positive linear effect of supplier's relationship marketing programs (including financial, social and structural programs) on customer-specific return on investment (Palmatier, Dant, et al., 2006), and supplier-buyer relationship quality (Palmatier et al., 2007). On the other hand, transaction cost theory posits that relationship investments can create a fertile ground for harmful opportunistic behavior (Williamson, 1975), and “can make it difficult to walk away” (Anderson & Jap, 2005, p.76). The literature on relationship marketing is unclear about how these two contrasting theories together explain the effect of supplier's relationship marketing programs on relationship performance. Second, although business relationship value involves two important facets, value creation and value distribution (Fang, Palmatier, & Evans, 2008), prior research has largely focused on value creation instead of value distribution. Relationship value is “the trade-off between the benefits and...
costs” each party perceives in a dyadic relationship, “taking into consider-
ation the available alternative relationships” (Ulaga & Eggert, 2006b, p.128). Indeed, the focus has been on a single side of the re-
lationship, either the buyer or the supplier, rather than the dyad (Fang et al., 2008; Wagner, Eggert, & Lindemann, 2010). Unfortunately, when the party making relationship investments receives less value than the invested-in party, this difference in the distribution of value between the two parties can be a sign that value is being created for one party at the expense of the other. Third, prior research has ignored the con-
tingency effect of relationship age to which the nonlinear effect of re-
relationship building efforts might be subject. Relationship age reflects the length of time two parties have interacted with each other (Palmatier, Dant, et al., 2006). Previous studies consider relationship age to be a solid proxy reflecting relationship closeness and stability (Kumar, Scheer, & Steenkamp, 1995a; Liu, Li, Tao, & Wang, 2008; Stanko, Bonner, & Calantone, 2007) and point out that as a relationship evolves, trust, commitment, control, and other relational factors will change (Anderson & Weitz, 1989; Jap & Ganesan, 2000; Liu, Su, Li, & Liu, 2010). The literature still lacks consensus about whether relationship age facilitates or impedes relationship building efforts (Palmatier, Dant, et al., 2006). As a relationship ages, both parties experience and gain information about each other, which, in turn, helps to increase each party’s trust in its counterpart (Anderson & Weitz, 1989). However, as a relationship ages, an element of complacency may appear as firms pay less attention to their exchange party (Barnes, 2005).

In dealing with the above limitations of the extant literature, our first objective in this study is to build on the competing arguments of transaction cost theory and social exchange theory to propose that there may be potential curvilinear associations between supplier’s relation-
ship marketing programs and relationship performance. Our study adopted the relationship marketing definition by Parvatiyar and Sheth (2000) that “relationship marketing is the ongoing process of engaging in cooperative and collaborative activities and programs with im-
mediate and end-user customers to create or enhance mutual economic value, at reduced cost” (p.9). Therefore, following previous research (Palmatier, Gopalakrishna, and Houston, 2006, Palmatier et al., 2007), relationship marketing programs will only refer to the programs in-
itiated by the supplier to build a relationship with the buyer. Second, in this study, following Jap (1999) and Jap (2001), we consider the value created in the buyer-supplier relationship as a “pie” that is divided between the buyer and the supplier. Jap (1999) used the term “pie expansion” to refer to how buyer and supplier increase their value “pie” by collaborating in mutually beneficial strategies, while Jap (2001) used the term “pie sharing” to refer to how the value “pie” is divided between collaborating parties. In the current study, we consider relation-
ship value perceived by the buyer as the buyer’s portion or share of the “pie” while relationship value perceived by the supplier as the sup-
plier’s portion. Combining these two portions, we try to capture the whole size of the “pie” (relationship value synergy), and while com-
paring the supplier’s portion to the buyer’s portion, we can see the difference in their shares (supplier’s relationship value asymmetry). An increase in relationship value synergy, which is a combination of buy-
er’s and supplier’s relationship value, reflects that new relationship value is created for the buyer or the supplier or both. Meanwhile, an increase in supplier’s relationship value asymmetry, as a difference in magnitudes between supplier’s and buyer’s relationship value, reflects that supplier’s relationship value increases more than buyer’s relation-
ship value. Our second research aim is to examine how relationship marketing programs influence relationship value synergy and supplier’s relationship value asymmetry in a buyer-supplier relationship. Third, our study aims at examining the potential moderating effect of relation-
ship age on the links between relationship marketing programs and relationship value synergy and asymmetry.

This study attempts to make several contributions to relationship marketing knowledge and provide managerial implications. First, this study extends the literature on business relationships by highlighting the non-linear effects of relationship marketing investments and by assessing the effects of relationship investments on both value creation and distribution in buyer-seller relationships. Second, the study offers a concept of supplier’s relationship value asymmetry that captures the relative difference in magnitudes between relationship value perceived by the supplier and value perceived by the buyer. Supplier’s relationship value asymmetry (SRVA) and relationship value synergy (RVS) constitute two-sided indicators of relationship performance useful for assessing the effectiveness of relationship investments. Third, our re-
search enriches the understanding of how suppliers should allocate investments into three types of relationship marketing programs (social, structural, and financial) at different levels of relationship age. Finally, findings from the study should help managers weigh the pros and cons of each type of program in order to develop relationships with their partners so as to allow both parties to prosper in their long-term re-
lationship.

2. Theoretical background

2.1. Relationship value: creation and distribution

The literature on relationship value has demonstrated that per-
ceived value from relationships positively influences relationship per-
formance. Relationship value improves customer trust, commitment, satisfaction (Faroughian, Kalafatis, Ledden, Samouel, & Tsogas, 2012; Ulaga & Eggert, 2006a), customer share (Morales, 2005), and word of mouth and intention to maintain or enhance a relationship (Faroughian et al., 2012; Geiger et al., 2012; Palmatier, Jarvis, Bechko, & Kardes, 2009). Furthermore, Geiger et al. (2012) reveal that relationship value strongly influences intentions to switch, search for alternatives, or enhance relationships for both buyers and suppliers.

Many studies had made efforts to investigate drivers and outcomes of relationship value long before researchers admitted that this concept was too complex and ambiguous to analyze from a static and standard-
dized perspective (Corsaro & Snehota, 2010; Eggert, Ulaga, & Schultz, 2006). Corsaro and Snehota (2010) stressed that the concept of value is always relative and actor-specific, and that “there is not an idiosyncrasy of value perceptions, but rather an idiosyncrasy of value because no two actors can ever have the same temporal and spatial latitude” (p.992). This proposition implies that there is some difference or gap in the buyer’s perception and the seller’s perception about how much value they receive from the relationship. However, very few studies in the relationship value literature address the asymmetry between parties’ value perceptions in inter-organizational buyer-supplier relationships (Wagner et al., 2010). Creating new value and sharing this value are two competing but inseparable facets that a buying firm needs to consider when making a decision about investments in a business re-
lationship (Fang et al., 2008). From the customers’ perspective, Wagner et al. (2010) found that customer firms perceive value creation as po-
itive only when they are sharing a bigger “slice” of a larger value “pie”. From the suppliers’ perspective, Praxmarer-Carus, Sucky, and Durst (2013) explained how suppliers’ perceived distributive fairness med-
ates the positive relationship between their perceived share of earnings and their satisfaction. Although Praxmarer-Carus et al. (2013) at-
temted to use a small dyadic sample to compare buyers’ and supplier’s share of costs and earnings, their scope was limited to costs and earn-
ings from supplier development programs, not value from the complete buyer-supplier relationship. A review of prior studies reveals that the relationship value literature has ignored both the creation and dis-
tribution facets of relationship value from a dyadic perspective. Therefore, the present study offers a construct of supplier’s relationship value asymmetry to assess the relative difference in magnitudes be-
tween relationship value perceived by the supplier and value perceived by the buyer.
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