Gaining Access to Customers' Resources Through Relationship Bonds

Roger Baxter, AUT University, roger.baxter@aut.ac.nz

Abstract

This paper notes that, in addition to tangible resources, a seller needs to access valuable and less imitable intangible resources, such as downstream market knowledge, from its customers. This exchange occurs as part of the process that creates value for both partners. The paper therefore reports on a study that assesses how the expected level of input of resources by sellers into business-to-business buyer-seller relationships affects their access to their buyers' resources. The paper proposes a model which includes relationship bonds as a mediator of this access and applies structural equation modelling to survey data to test it. The analysis finds support for the model.

Keywords

business to business; buyer-seller relationship; collaboration; interaction

Gaining Access to Customers' Resources Through Relationship Bonds

Introduction

Firms need to invest in their relationships with their customers to make the relationships work effectively and efficiently as conduits for transmitting resources, as IMP researchers note (e.g. Ford et al., 1998; Hakansson & Snehota, 1982). For short-term survival, a firm invests resources in its relationships so that its exchanges with its customers provide cash flows in exchange for the offerings of goods and services it supplies. These investments include such resources as salespersons' costs, managers' costs, adaptations to the offerings that pass through the relationship, and adaptations to the distribution and administrative processes that enable offerings and payments to pass between buyer and seller.

However, managers are more and more interested in the intangibles that are so important to the longer-term survival of their firms, as illustrated by the kinds of tools that they focus on, such as Consumer Ethnography, CRM, and Knowledge Management systems (Rigby, 2007). Many of the intangible resources that such tools manage are internal to the firm, but many are also external to, but accessible by, the firm through relationships with other entities. In the case of business-to-business buyer-seller relationships, which are the focus of this paper, a seller can gain much benefit from a customer's resources such as the customer's network of relationships, its employees' skills and its institutional knowledge.

Hence, in addition to a focus on short-term resource management and profitability gained from intangible resource exchanges, it is vital that a seller's management of its relationships also maintains a focus on investing resources such as salespeople's time expressly to gain access to the buyer's intangible resources. This focus on intangible knowledge-intensive aspects of the relationship is a key requirement for a customer relationship to provide long-term sustainable competitive advantage and profitability to the supplier, as pointed out by the resource-based view of the firm (Barney, 1991; Morgan & Hunt, 1999).

The IMP literature (e.g. Hakansson & Snehota, 1982) provides evidence that the nature of a relationship is an important factor in determining how well it allows for the transmission of intangible knowledge based resources and in turn how well it can aid long-term relationship success. In particular, the strength of "actor bonds" (Hakansson & Snehota, 1995) plays an important part in how well the relationship functions. By analysis of quantitative data, the study described in this paper provides support for the contention that the strength of the bonds in a relationship significantly affects the extent to which a supplier's resource inputs into a relationship give the supplier access to its customer's intangible resources. Given the centrality of two-way resource exchange in current views of marketing (Vargo & Lusch, 2008), in particular the less imitable intangible resources (Barney, 1991; Morgan & Hunt, 1999), this finding is a useful addition to empirical demonstration of what it is that facilitates that exchange. In the next section, the paper develops the conceptual model for the study by briefly reviewing

relevant literature. It then describes the methodology and the analysis results. Finally, the paper discusses the implications of the study and future research issues.

Conceptual development

The following discussion develops a model for testing as in Fig. 1. The model's conceptual grounding is in the notion that a seller needs to utilise its buyers' resources and integrate these with its own resources to develop future value if it wishes to be truly successful. The IMP literature makes this very clear (Ford et al., 1998; Hakansson & Snehota, 1982) in its concepts of resource combining. Other theoretical streams support the importance to a firm of access to its customers' resources through its buyer-seller relationships. Morgan and Hunt (1999) develop their resource-advantage theory, based on the resource based view of the firm, to list and describe a set resource categories to which a firm can usefully gain access through a buyer-seller relationship. These include such intangibles as the buyer's network of relationships and its informational resources in databases or elsewhere. Competence theory similarly identifies the usefulness to a firm of "firm-addressable resources" which are external resources that the firm does not own, but to which it has access through a relationship (Sanchez & Heene, 1997). The service-dominant logic (S-DL) of marketing (Vargo & Lusch, 2008) provides support for the concept that the exchange of resources through a relationship leads to the creation of value-in-use by the relationship.
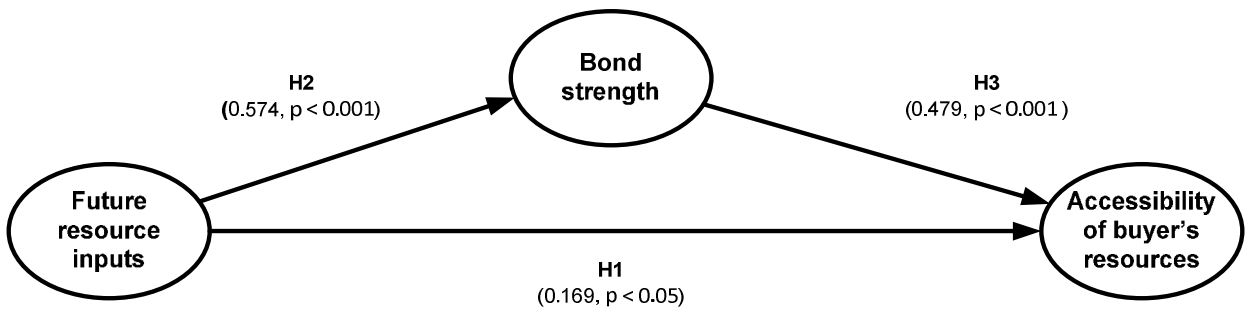

Figure 1: Conceptual model

Note: Bracketed numbers on paths are standardised regression coefficient, significance level

However, in order to access its customer's resources and tap into the potential for future value creation by resource integration at resource interfaces in general (Waluszewski & Håkansson, 2007) and at knowledge interfaces (Strömsten & Håkansson, 2007) in particular, the seller needs to work on development of the relationship with the customer. This means that the seller needs to put resources, both tangible and intangible, into the relationship (Ford et al., 1998 page 27). The model in Fig. 1 therefore hypotheses a direct relationship between, on the left of the model, the seller's intention to apply resources to relationship development and, on the right of the model, the level of future access that the supplier expects to have to the buyer's intangible resources. The direct path suggests that the more resource a supplier puts into development of the relationship, the greater will be its ability to access the intangible assets of its buyer partner.

The IMP literature makes it clear that strong bonds between actors in a relationship assist positive outcomes in terms of exchange of resources, and hence in terms of value creation, by

strengthening activity links between the two companies (Ford et al., 1998). Berry (1995) and Berry and Parasuraman (1991) specify the bonds between buyers and sellers as comprising financial, social and structural bonds. Studies investigate the nature and effects of these three types of bonds in business-to-business, financial services, and retail contexts (e.g. Buttle, Ahmad, & Aldaigan, 2002; Chiu, Hsieh, Li, & Lee, 2005; Hsieh, Chiu, & Chiang, 2005; Rizal & Francis, 2001), so measures of these three types of bonds are used as indicators of these three types of bonds in this study. The first and last items for bond strength in the Appendix are measures of social and financial bonding respectively. The middle three items are measures of structural bonding. Wilson (1995) notes on page 342 that nonretrievable investments play a part in building structural bonds. He also notes that alignment of goals in the "defining purpose" stage of a relationship is important to its success (page 341). This alignment will aid in balancing the relationship (Wilson, page 342) of the "hybrid" (Borys & Jemison, 1989), so this paper sees the sharing of goals as evidence of a strong hybrid with strong structural bonding.

The model in Fig. 1 therefore proposes that strong relationship bonds as perceived by the seller positively influence the effect of the seller's resource input on the level of accessibility of the buyer's intangible resources to the seller. The model specifies that bond strength mediates the influence of resource inputs on accessibility to buyer's resources, rather than moderating that influence, because the bond strength is not likely to be independent of the level of input of the seller's resources into the relationship. Therefore, there is a path in Fig. 1 from expected level of resource inputs to the bond strength construct. The model applies the concept that more input of resources by the seller into the relationship contributes to building the bonds between the seller and buyer. The next section of the paper describes the study's measure development, data collection and data analysis to test the Fig. 1 model, including its measures and its paths numbered as hypotheses H1 to H3.

Testing the model

Methodology

The empirical phase of the study pre-tested a questionnaire and then surveyed managers in sales and marketing positions who were involved in relationship management. The survey collected data from managers working in New Zealand business-to-business buyer-seller relationships, on 7 point scales with anchor points such as "strongly disagree" to "strongly agree". The number of responses to the survey after excluding incomplete questionnaires was 314. The data is analysed in SPSS and Amos software using correlations, confirmatory factor analysis, and structural modelling. Fit statistics of the models estimated in Amos are in Table 1. The study uses the Baron and Kenny (1986) steps to test the hypothesised mediation by relationship bond strength.

	CMIN	Df	p-value	CMIN/Df	SRMR	RMSEA	TLI	GFI
Measurement model	101.626	51	0.000	1.993	0.047	0.056	0.956	0.948
Structural model without mediation: B&K step 1	55.391	13	0.000	4.261	0.054	0.102	0.931	0.951
Structural model with only the H2 path, future inputs to bonds: B&K step 2	35.274	19	0.013	1.857	0.415	0.052	0.968	0.973

Mediated structural model: B&K steps 3 and 4	101.626	51	0.000	1.993	0.047	0.056	0.956	0.948

Note: B&K refers to the Baron and Kenny (1986) steps for testing mediation

Table 1: Model fit statistics

Measure development

This study specifies all indicators as reflective. The future resource inputs construct is conceptualised as the level of tangible and intangible inputs that the seller expects to apply to the relationship over the next 3 years from the time of the survey. Its scale has three items, after a fourth dropped out, which describe a mix of tangible and intangible resources that are representative of the resources firms put into their relationships, as listed in the appendix. Similarly, the measures for accessibility of buyer's resources are four resources that are representative of those that a seller would find useful if they were accessible from their customer. The measures for bond strength represent the three aspects noted in the conceptual development section above, which are financial, social and structural bonds as seen from the perspective of the seller. The measures that ask about goals and investments represent structural bonds.

Analysis results

The appendix shows the measures of constructs and the internal consistencies of scales, all of which have Cronbach alpha well in excess of 0.7 (Hair, Anderson, Tatham, & Black, 1998). Table 1 shows that the measurement model, which includes all three constructs and their purified items, has good fit statistics (Hair et al., 1998; Hu & Bentler, 1999). The measures all have convergent validity, as their regressions on the constructs they measure are all significant at $p < 0.001$ and their correlations with the constructs they measure are substantial and are well in excess of 0.5. The measures all have discriminant validity because the 90% confidence upper and lower bounds for their bootstrapped correlations do not include 1 as a value (Anderson & Gerbing, 1988). The scales therefore have good psychometric properties.

The study estimates three structural models to test for mediation using the Baron and Kenny (1986) (B&K) steps. For step 1, the first model has only the unmediated path shown as H1 in Fig. 1. Although the H1 path in the unmediated model is significant, meeting the B&K step one requirements, the fit statistics are not as good as the mediated model and the squared multiple correlation for accessibility of buyer's resources is lower than the mediated model, at 0.192.The second model has only the H2 path from resource inputs to bond strength and this path is significant at $p < 0.001$, meeting the B&K step two requirements. The third structural model includes relationship bond strength as mediator as in Fig. 1. Fit statistics for this mediated model are good, as in Table 1, and the squared multiple correlation for accessibility of buyer's resources is 0.351, so it explains resource accessibility better than the unmediated model. The H1, H2 and H3 paths are significant in the mediated model at $p < 0.05$, $p < 0.001$, and $p < 0.001$ respectively, and the standardised regression coefficient for the path from future resource inputs to accessibility of buyer's resources is lower in the mediated model at 0.169 than in the unmediated model at 0.438. The model therefore meets the requirements of B&K step three and four for partial mediation. There is thus good evidence for the presence of mediation.

Discussion

The study's analysis supports the model as in Fig. 1, which proposes that the level of resources that a business-to-business seller puts into its buyer-seller relationships positively affects its level of access to the important intangible resources of its customers and that a strong relationship bond partially mediates this access. It supports the contention in the IMP literature that a positive bonds improve information flow by way of interaction. In these days of supply chains fractured by outsourcing, it is essential to "use others' knowledge" (Baraldi & Waluszewski, 2007 page 104), including that which is available from customers, mediated by interaction through relationships (Waluszewski & Håkansson, 2007). Interaction occurs best where both relationship partners allocate sufficient resources to the relationship in a good atmosphere. Taking one of the resources used in the study as an indicator of the seller's resource inputs as an example, if the seller's boundary personnel are able to give more time to the relationship, they are able to better communicate and to better gain information from their customer. This illustrates the positive effect that higher levels of the seller's resources can have on information accessibility from the buyer.

The study has limitations in terms of its cross-sectional view, its perspective of only one side of the dyad, and its request to respondents to project the future of a relationship. Extension of the model to the buyer's perspective is an opportunity for future research. Another avenue for future research is to investigate the detailed mechanisms by which the resources of relationship partners are integrated and how this integration leads to improved performance. Although the scale for relationship bonds performs well in this study, it will be useful in future research to investigate the effect individually of each of financial, social, and structural bonds on access to a relationship partner's resources using expanded scales for each, as indicated by the lower regression weights for social and financial bonds on the bond strength construct in the Appendix.

Appendix: Scale items

Scales and items	Anchor points on 1 – 7 scale		Standardised regression weight	Cronbach alpha
Future resource inputs				0.779
Please consider again your firm's relationship with your chosen customer over the next 3 years. How high do you expect your firm's level of input of the following resources to be into the relationship, compared with your other customers?	Very much lower	Very much higher		
Dollars your firm puts into the relationship.			0.581	
The time input of your personnel			0.856	
Your intangible inputs, such as your knowledge, skills, ingenuity, relationships			0.803	
Accessibility of buyer's resources				0.857
Again, for the next 3 years, how effective do you expect the relationship with your chosen customer to be in giving your firm useful access to the following?	Not at all effective	Very effective		
To your customer's network of relationships			0.729	
To the capabilities in their organisation (e.g. the organisational knowledge, infrastructure, processes, and/or culture)			0.887	
To the capabilities of their personnel			0.848	
To their capabilities for the development of new products			0.670	

or processes

Bond strength   0.759

How much do you agree with the following statements about your firm's relationship with the chosen customer, as compared with other customers?	I do not agree at all	I fully agree	
We have strong social bonds with people in the customer organisation			0.482
Our firm shares a lot of goals with this customer			0.653
We make a lot of specific investments in this relationship			0.759
The customer makes a lot of specific investments in this relationship			0.773
This relationship is very profitable for us			0.453

Notes: 1. Numbers in the column headed "Standardised regression weight" are path weights between each measure and the construct it reflects in the measurement model whose fit statistics are shown in Table 1.

2. Standardized regression weights in this appendix are all significant at p < 0.001.

References:

Anderson, J. C., & Gerbing, D. W. (1988). Structural Equation Modeling in Practice: a Review and Recommended Two-Step Approach. Psychological Bulletin 103(3), 411-423.

Baraldi, E., & Waluszewski, A. (2007). Conscious use of others' interface knowledge. In H. Håkansson & A. Waluszewski (Eds.), Knowledge and Innovation in Business and Industry: The importance of using others (pp. 79-108). London: Routledge.

Barney, J. B. (1991). Firm Resources and Sustained Competitive Advantage. Journal of Management 17(1), 99-120.

Baron, R. M., & Kenny, D. A. (1986). The Moderator-Mediator Variable Distinction in Social Psychological Research: Conceptual, Strategic, and Statistical Considerations. Journal of personality and social psychology 51(6), 1173-1182.

Berry, L. L. (1995). Relationship Marketing of Services--Growing Interest, Emerging Perspectives. Journal of the Academy of Marketing Science 23(4), 236-245.

Berry, L. L., & Parasuraman, A. (1991). Marketing Services: competing through quality. New York: Free Press.

Borys, B., & Jemison, D. B. (1989). Hybrid Arrangements as Strategic Alliances: Theoretical Issues in Organizational Combinations. Academy of Management Review 14(February), 234-249.

Buttle, F. A., Ahmad, R., & Aldaigan, A. H. (2002). The Theory and Practice of Customer Bonding. Journal of Business-to-Business Marketing 9(2), 3.

Chiu, H.-C., Hsieh, Y.-C., Li, Y.-C., & Lee, M. (2005). Relationship marketing and consumer switching behavior. Journal of Business Research 58(12), 1681-1689.

Ford, D., Gadde, L.-E., Hakansson, H., Lundgren, A., Snehota, I., Turnbull, P., et al. (1998). Managing Business Relationships (1 ed.). Chichester: Wiley.

Hair, J. F., Jr., Anderson, R. E., Tatham, R., L., & Black, W. C. (1998). Multivariate Data Analysis (5 ed.). Upper Saddle River: Prentice-Hall.

Hakansson, H., & Snehota, I. (1982). Developing Relationships in Business Markets. London: Routledge.

Hakansson, H., & Snehota, I. (Eds.). (1995). Developing Relationships in Business Networks. London: Routledge.

Hsieh, Y.-C., Chiu, H.-C., & Chiang, M.-Y. (2005). Maintaining a committed online customer: A study across search-experience-credence products. Journal of Retailing 81(1), 75-82.

Hu, L.-t., & Bentler, P. M. (1999). Cutoff Criteria for Fit Indices in Covariance Structure Analysis: Conventional Criteria Versus New Alternatives. Structural Equation Modelling 6(1), 1-55.

Morgan, R. M., & Hunt, S. D. (1999). Relationship-Based Competitive Advantage: The Role of Relationship Marketing in Marketing Strategy. Journal of Business Research 46, 281-290.

Rigby, D. (2007). Management Tools 2007: An Executive's Guide. Boston, MA: Bain & Company, Inc.

Rizal, A., & Francis, B. (2001). Retaining business customers through adaptation and bonding: A case study of HDoX. The Journal of Business & Industrial Marketing 16(6/7), 553.

Sanchez, R., & Heene, A. (1997). Reinventing Strategic Management: New Theory and Practice for Competence-based Competition. European Management Journal 15(3), 303-317.

Strömsten, T., & Håkansson, H. (2007). Resources in use: embedded electricity. In H. Håkansson & A. Waluszewski (Eds.), Knowledge and Innovation in Business and Industry: The importance of using others (pp. 27-53). London: Routledge.

Vargo, S. L., & Lusch, R. F. (2008). Service-dominant logic: continuing the evolution. Journal of the Academy of Marketing Science 36(1), 1-10.

Waluszewski, A., & Håkansson, H. (2007). Economic use of knowledge. In H. Håkansson & A. Waluszewski (Eds.), Knowledge and Innovation in Business and Industry: The importance of using others (pp. 1-26). London: Routledge.

Wilson, D. T. (1995). An Integrated Model of Buyer-Seller Relationships. Journal of the Academy of Marketing Science 23(4), 335-345.