EFMD EQUIS ACCREDITED

Accredited by Association of MBAs

AACSB ACCREDITED

Newcastle University Business School

ICRM 2014

Sustainable relationships: myth or reality?

8–10 September 2014

Sustainability, consumption, and society
The ‘green consumer’ versus conventional consumers

Social media and digital technologies
Building relationships in virtual environments

Services and customer loyalty
Creating lasting relationships in the service domain

A New Perspective

Join us for the 22nd ICRM conference:

www.icrm2014.com

22nd International Colloquium on Relationship Marketing – ICRM

Sustainable Relationships: Myth or Reality?

Fred Lemke

Newcastle University Business School
5 Barrack Road, Office: 8.06 (Level 8)
Newcastle upon Tyne, NE1 4SE, United Kingdom
Email: fred.lemke@newcastle.ac.uk

Newcastle University Business School is one of the largest schools in Newcastle University, one of the UK's leading civic universities.

Our mission is to provide all stakeholders with new, global perspectives and the inspiration to contribute to the responsible and ethical shaping of society. There is a natural fit with the Colloquium, which emphasises relationships in various environments.

This year, we will emphasise three critical areas with regards to Relationship Marketing:

- Services and Customer Loyalty
- Sustainability, Consumption, and Society
- Social Media and Digital Technologies

Besides these areas, we are looking for contributions that seek to expand the boundary of current relationship marketing theory and practice.

Following the ICRM-tradition established by David Ballantyne, University of Otago, the 2014-event intends to stimulate true dialogue and invite participants to discuss and disseminate their views and expertise on all facets of relational connections in the 21st century market place.

The present proceedings are structured in four parts, following the outline and order of presentations: CRM and Relationship Marketing (pp. 3-96), Services and Relationship Marketing (pp. 97-140), Sustainability and Relationship Marketing (pp. 141-211), Social Media and Relationship Marketing (pp. 212-223), and the Doctoral Colloquium (pp. 224-284).

This year's debates seek to expand the boundary of current relationship marketing theory. I am happy to see that all abstracts and full papers reflect state-of-the-art insights into different aspects of relationship marketing.

Thank you for your insightful contributions!

22nd International Colloquium on Relationship Marketing – ICRM

Sustainable Relationships: Myth or Reality?

22nd International Colloquium on Relationship Marketing – ICRM

Sustainable Relationships: Myth or Reality?

CRM and Relationship Marketing

Effortless Engagement: An Exploration of Ease of Doing Business in B2C and B2B Contexts

Moira Clark and Susan Rose
Henley Business School at the University of Reading

Abstract

The research study aims to understand what “being easy to do business with” means from a customer perspective in order that an organisation can design and develop more effective service delivery. The contribution of this study is intended to build on existing work on customer effort and ‘easiness’ (Clark and Rose 2013) and add to our understanding of customer experience quality from an ease of doing business perspective (Lemke, Clark and Wilson 2010).

Customer effort (CE) has received more attention recently following a paper by Dixon et al (2010) in which they report the findings of a sizeable study into the effect of effort upon customer loyalty. This work has now been developed to look at “effortless experience” (Dixon et al. 2014) and so the identification of how effort itself is a component of customer experience. Effort has been recognised to have four key components: cognitive (Bettman et al. 1990); emotional (Dube-Rioux et al. 1989); time (Durrande-Moreau and Usunier 1999) and physical (Cardozo 1965). Being able to identify and then measure CE has enabled the development of a Customer Effort Score (CES) which Dixon et al (2010) propose may be a more appropriate indicator of customer loyalty than metrics such as Net Promoter Score or Customer Satisfaction. For many organisation, such as BT in the UK, a metric that measures “how easy are we to do business with” is fast replacing measures of loyalty (Clark and Bryan 2013).

Ease of use or of doing business is recognised in the customer literature as influencing decision-making particularly in the current age of technologically supported customer services (Chen and Dubinsky 2003; Rose et al 2012). Research by Lemke et al. (2010) has identified a number of customer experience quality categories, many of which relate to ease of doing business. These include: *Accessibility* (ease of finding and accessing people, premises or information); *Communication* (enquiry responsiveness, openness, provision of information); *Experience context* (importance of timeliness); *Relationship* (ease of establishing relationship); *Reliability* (delivery timeliness, low incidence of problems); *Value for Time* (efficient use of customer’s time, value for time).

The intention of the study is to explore how customer’s view easiness in the context of their overall customer experience with an organisation so that a link between ‘ease of doing business’ and ‘customer experience quality’ could be better understood.

Research Method

Qualitative research was undertaken with 8 focus groups (4 B2C and 4 B2B) with approximately 7 to 8 people per group. In the B2B groups a cross-section of industries were represented (including IT, financial services, automotive and professional services). Respondents were in job functions where they dealt with suppliers on a regular basis. The B2C groups consisted of a mix of male and female consumers in a cross section of ages from 30 years upwards and across a range of socio-economic groupings. All respondents were residents of the UK where interviews were conducted. The focus groups were one hour in length.

Findings

We asked respondents what does "being easy to do business with" mean to you. We found generic responses to this that span both sectors. Customers looked for:

- Keep their promises
- Pleasurable and relaxing
- Doesn't waste my time
- Understanding of personal preferences
- Knows me as a returning customer, identifies me
- Consistency of engagement – always the same experience across channels
- Good end-to-end processes for the customer, clear signposting of what they are doing, what you need to do and when
- Handle exceptions well
- My expectations match the effort I have to put in

We found the following specific differences between B2B and B2C customers.

B2B	**B2C**
Access to decision-makers	Information and explanation.
Responsive company who are quick to react	Decision-making help
A contact point that is easy to get hold of	Reassurance
The company to listen to me	Flexibility
An individualised approach to business	Availability and Access
	Professional customer contact representative
	They do not want….
	Surprises and unmet expectations
	Slow and lengthy processes

Further analysis is currently being undertaken to generate 'easiness' categories from the output of the study and to map these against the categories from the Customer Experience Quality work of Lemke et al. (2010).

REFERENCES

Bettman, J.R., Johnson, E.J., and Payne, J.W. (1990) A Componential Analysis of Cognitive Effort in Choice. Organizational Behaviour and Human Decisions Processes, 45 (February), 111-39.

Cardozo, R.N., (1965) An Experimental Study of Customer Effort, Expectation, and Satisfaction. Journal of Marketing Research, II (August, 1965), 244-249.

Chen, Z., and Dubinsky, A.J. (2003) A conceptual model of perceived customer value in e-commerce: a preliminary investigation. Psychology and Marketing, 20, 323–347.

Clark, M. and Rose, S. (2013) Delight Your Customers, But Only Where They Value It! The Importance of the Customer Easy Score. 21st International Colloquium on Relationship Marketing, Rennes France.

Clark, M. and Bryan, A. (2013) Customer Effort: Help or Hype. Henley Centre for Customer Management. Henley Business School at the University of Reading.

Dixon, M., Freeman, K. and Toman, N. (2010) STOP Trying to Delight your Customers. Harvard Business Review. 88 (7/8), (Jul/Aug) 116-122.

Dixon, M., Toman, N. and DeLisi, R. (2014) The Effortless Experience. Conquering the new battleground for customer loyalty. Portfolio Penguin, USA.

Dube-Rioux, L., Schmitt, B.H., and Leclerc, F., (1989) Consumers' Reaction to Waiting: When Delays Affect the Perception of Service Quality, Advances in Consumer Research, Vol. 16, T. Srull. ed. Provo. UT: Association for Consumer Research, 112-25.

Durrande-Moreau, A. and Usunier, J-C., (1999) Time Styles and the Waiting Experience, Journal of Service Research, 2 (2), 173-86.

Lemke, F., Clark, M. and Wilson, H. (2010) Customer experience quality: an exploration in business and consumer contexts using repertory grid technique. Journal of the Academy of Marketing Science. 39, (6), 846-869.

Rose, S., Clark, M., Samouel P. and Hair N. (2012) Online Customer Experience in E-retailing: An Empirical Model of Antecedents and Outcomes. Journal of Retailing 88, (2), 308-322.

Agencies and clients: co-creation in a key B2B relationship

Tim Hughes and Mario Vafeas
University of the West of England, UK

Abstract

This is an empirical study of co-creation in the context of the relationship between clients and their advertising agencies. This is the first study to conduct dyadic interviews with a number of clients and their agencies in examining the co-creation process. The study highlights the operant resources supplied by the actors involved, outlines the process of resource integration, identifies enablers to co-creation and offers a perspective on reciprocity of value exchange between actors. Implications for practice are put forward, demonstrating the benefits of applying Service-Dominant Logic as a framework for practical analysis of relationships in context.

Keywords: Co-creation, Service-Dominant Logic, B2B relationships

Introduction and context

To date there has been limited research on how customers engage in co-creation (Woodruff, Flint, 2006; Payne et al., 2008) with most of the discourse having been at a level of abstraction far removed from practical analysis (Gronroos and Ravald, 2011). A number of authors have called for empirical work to verify and shape our understanding (Brodie et al., 2011), to create better practice and improve the theory (Gummeson, 2011) and to discover new knowledge (Sheth, 2011). The context for this study is provided by case studies of agencies and clients working within the marketing sector. Agencies and clients work closely together to create an output, such as a campaign or a design, and as such this provides a prime example of business-to-business (B2B) co-creation. It is a very important relationship that is central to communications within the marketing industry.The theoretical approach of the study relates to service-dominant logic (S-DL) (Vargo and Lusch, 2004) and the subsequent discourse. A framework around resource integration and value creation is used to analyse the data from 25 depth interviews, resulting in nine agency/client case studies. The findings are discussed and implication for practice and theory are put forward. As far as we are aware, this is the first study to conduct dyadic interviews with a number of clients and their agencies in examining the co-creation process.

Theoretical framework

We adapted Hilton et al.s' (2012) model of resource integration to provide a framework for analysing co-creation between agencies and clients. S-DL emphasises the role of operant resources acting on operand resources in creating value (Vargo and Lusch 2004, Arnould et al., 2006; King and Grace 2008; Layton 2008) and on resource integration as the means by which value is created (Vargo and Lusch, 2011). In highlighting resource integration, S-DL highlights an important new area for investigation (Kleineltankamp et al., 2012). In order to get actors to commit resources a motivational value proposition (VP) is required (Maglio and Spohrer 2013; Frow et al., 2014). In S-DL, Foundational Proposition (FP) 7 states that suppliers cannot create value they can only offer value propositions. However, value may be derived by both the firm and customers (Babin and James, 2010) or by a number of stakeholders (Kowalkowski, 2011; Ballantyne et al., 2011; Frow and Payne, 2011). Following resource integration, our model suggests that the actors' resources will be modified. The transformation of resources is mentioned by Lusch and Vargo (2006), but this feature has not been investigated significantly.

At the centre of the theoretical framework is value realisation. The nature of value has been much debated within the marketing literature and is generally recognised to be complex and subjective (Sanchez-Fernandez and Iniesta-Bonillo, 2007). The notion of value co-creation can be seen to be problematic and has resulted in much academic discussion (Vargo and Lusch, 2004, Lusch and Vargo, 2006; Prahalad and Ramaswamy, 2004; Payne et al., 2008; Ballantyne et al., 2011). Hilton et al. (2012) suggest that while all actors might engage in service co-creation the service output will be experienced and evaluated by the actors in a wide variety of ways. This is consistent with Ramaswamy's (2011) argument that value is an evaluative judgement realised by individual actors over time. Gummerus (2013) makes a similar distinction between value creation processes and value outcome determination. In B2B value can be seen to emerge from a complex series of interactions (Gronroos, 2011), it may well involve reciprocity (Ballantyne et al., 2011; Ford, 2011) and may involve a number of stakeholders (Frow and Payne, 2011). The actors will each have their own personal perception of how value is being realised, as a result of resource integration.

Method

We took a critical realist approach which in allowing for pluralism of perspectives (Van de Ven, 2007) was considered to be particularly appropriate for exploring a complex social phenomenon (Magee, 1985; Guba and Lincoln, 1994; Godfrey & Hill, 1995; Tsoukas, 1989). Qualitative research methods are well accepted within critical realism (Healy & Perry, 2000; Sammarra and Biggiero, 2008) and face-to-face interviews were considered to be the best way to achieve sufficient depth. A semi-structured framework was utilised (Easterby-Smith et al., 1991) to allow interviewees to develop their answers, while ensuring coverage of common themes. Case studies were constructed based on nine client agency relationships. Case studies are considered to be particularly useful where new perspectives are sought about an area in context (Bonoma, 1985; Johnson et al., 1999; Ghauri, and Gronhaug, 2002). Research protocols and processes were put in place to ensure dependable and confirmable findings (Lincoln and Guba, 1985). The interviews were recorded, transcribed and then analysed using NVIVO software. The collection, coding, sorting and analysis of data were carefully controlled (Miles and Huberman, 1994).

One of the strengths of this research lies in obtaining dyadic interviews with executives from a number of clients and their agencies. Sampling was purposive in actively selecting companies with the potential to provide rich information related to the purpose of the study (Miles and Huberman, 1994; Marshall and Rossman, 1995; Patton, 2002). The validity of the research comes from accessing knowledgeable interviewees (Rubin and Rubin, 1995) to provide context rich data that enhances insight and understanding (Silverman and Marvasti, 2008). In the first place, clients were approached and once the client agreed to take part their agency was then approached. The case studies covered four very large clients; one large/medium client; and two SME clients. The agencies included two large full service agencies; five medium sized agencies that tended to be more specialist and two in-house agencies. Twenty five interviews were conducted with seven clients and eighteen agency executives. Obtaining multiple interviews with people in agencies provided the opportunity to get feedback from both those on the creative and account management sides of the business. Two of the clients gave us access to two of their agencies and so we were able to construct nine separate cases each based on the relationship between a client and an agency.

Findings

Our research study contributes a rich example of co-creation in a b2b context focussing on the way that the actors integrate their resources. The study highlights the operant resources supplied by the actors involved and suggests that the balance of input of resources between client and agency will vary greatly. Our study outlines the process of resource integration in co-creation between clients and agencies. A number of factors are identified as enablers to successful co-creation: openness, motivation and timescales. There are connections here with the relationship marketing literature on commitment and trust (Morgan and Hunt, 1994; Fullerton, 2003) and how trust is built up over time through a combination of hard and soft processes (Gounaris, 2005). Vargo and Lusch (2008a) see S-DL as a way of encompassing different strands of marketing, including relationship marketing and our study suggests that it would be fruitful to re-engage with some of the foundational ideas of relationship marketing in considering the newer concept of resource integration. The case studies show clearly that value is created for all the actors. It cannot just be seen as created for the customer. Our research confirms that growing body of evidence that value is reciprocal amongst the actors involved (Babin and James, 2010; Ballantyne et al., 2011; Ford, 2011) and therefore it needs to be understood in relation to all stakeholders (Frow and Payne, 2011; Kowalkowski, 2011). However, value is seen differently by the actors involved. While the output is valued by all, the emphasis on what is important in this respect often differs between agency and client. Furthermore, the client may emphasise efficiency for expenditure, while the agency may value the return for the work put in. These different perspectives are in line with the relativist ontological approach (Ballantyne et al.,2011) that value is phenomenological (Vargo and Lusch, 2008b) and supports Hilton, et al.s' (2012) contention that the while service is co-created, value will be experienced in varying ways by the actors involved.

The concept of resource modification has received little attention in the S-DL literature, but our research suggests that resource modification would benefit from further exploration. The collaboration process enables clients to become better clients with respect to briefing, creative judgement and managing the client-agency relationship, all of which require operant resources. Further research is needed on how resource integration modifies resources and how organisations might make the most of co-creation opportunities to enhance the resources of their employees.

Implications

The case studies demonstrate that there are many practitioner issues underlying the effective working of the agency-client relationship in integrating resources to co-create outputs. For new clients, whether it is a young brand manager in an established company or a director or manager in a company new to using agencies there often seems to be a lack of understanding of how to act as a client and of knowing what information would be useful to the agency. While the client may be highly proficient in the technical aspects of running their business judging creative work requires a different set of skills and many of the clients that we interviewed found this to be challenging. It could also be argued that successfully managing an agency relationship requires professional skills in itself and considerable insight into the way an agency works. For example, to get the best out of an agency the client needs to have some understanding of the time needed to get good creative work. Client companies can take steps themselves to train and support employees dealing with agencies. However, it is also in the interest of agencies to educate their clients into how to get the best out of them, but this does present a challenge in terms of how they position this with clients. The language of co-creation may be useful in this in positioning the relationship as an equal co-creative one rather than in the traditional concept of agency and client. The case studies suggest that openness is an important factor in successful co-creation. There has to be trust on both sides. Both sides should feel able to challenge the thinking of the other and bring up tensions and misunderstandings without feeling that they are risking the ongoing relationship. This can be particularly challenging for agencies in dealing with client politics and hierarchies, where the ultimate decision maker is not necessarily the everyday contact with the company. Agencies in the case studies were often treading a fine line between giving the client what is expected and coming up with fresh and new ideas. A better understanding of this tension by clients might be helpful in avoiding agency complacency and the need to change agencies to get new creative work. Keeping agency personnel motivated seems to be an important factor in getting good work. Finally, in most of the cases there was little formal evaluation of the co-creation process jointly between agency and client. There is a case that putting this in place would be helpful to both sides in encouraging an open dialogue and improving the process on an ongoing basis.

References

Arnould, E. J., Price L. L. and Malshe, A. (2006), "Toward a Cultural Resource-Based Theory of the Customer", in Lusch, R. F. and Vargo, S. L. (eds.), *The Service-Dominant Logic of Marketing: Dialog, Debate and Directions*, ME Sharpe, Armonk NY, pp. 320-333.

Babin, B. James, K. (2010),"A brief retrospective and introspective on value", European Business Review, Vol. 22 Iss: 5 pp. 471 – 478.

Ballantyne, D. Frow, P. Varey, R.J. and Payne, A. (2011), "Value propositions as communications practice: Taking a wider view", *Industrial Marketing Management* Vol 40 (2), pp.202–210.

Ballantyne, D., Williams, J., and Aitken, R. (2011), "Introduction to service-dominant logic: From propositions to practice", *Industrial Marketing Management,* Vol 40 (2), pp. 179-180.

Bonoma, T. (1985), "Case research in marketing: opportunities, problems and a process", *Journal of Marketing Research*, Vol. 22 No. 2, pp. 199-208.

Brodie, R. Saren, M. and Pels, J. (2011), "Theorizing about the service dominant logic: The bridging role of middle range theory", *Marketing Theory*, Vol 11 No1, pp. 75-91.

Easterby – Smith, M. Thorpe, R. and Lowe, A. (1991), *Management Research: An Introduction*, Sage Publications, London.

Ford, D. (2011), "IMP and service-dominant logic: Divergence, convergence and development", *Industrial Marketing Management, Vol 40 (2)*, pp. 231-239.

Frow P. and Payne, A. (2011), "A stakeholder perspective of the value proposition concept", *European Journal of Marketing,* Vol 45 (1/2), pp. 223-240.

Frow, P. McColl-Kennedy, J.R. Hilton, T. Davidson, A. Payne. A. and Brozovic, D. (2014), "Value propositions: A service ecosystem perspective", *Marketing Theory,* Forthcoming, doi: 10.1177/1470593114534346.

Fullerton, G. (2003), "When Does Commitment Lead to Loyalty?" *Journal of Service Research.* 5(4), pp. 333-344.

Ghauri, P. and Gronhaug, K. (2002), *Research Methods in Business Studies: A Practical Guide*, Prentice Hall, New York.

Godfrey, P. and Hill, C. (1995), "The problem of unobservables in strategic management research", *Strategic Management Journal,* Vol 16, pp. 519-533.

Gounaris, S. (2005), "Trust and commitment influences on customer retention: insights from business to business services", Journal of Business Research, Vol 58, pp. 126-140.

Gronroos, C. (2011), "A service perspective on business relationships", *Industrial Marketing Management*, Vol 40 No 2, pp 240-247.

Grönroos, C. and Ravald, A., (2011), "Service as business logic: implications for value creation and marketing", *Journal of Service Management*, Vol. 22 No 1, pp. 5 – 22.

Guba, E. and Lincoln, Y. (1994) "Competing Paradigms in Qualitative Research" in Denzin, N. and Lincoln, Y. (Eds.), *Handbook of Qualitative Research,* Sage, California.

Gummerus, J. (2013), "Value creation processes and value outcomes in marketing theory: Strangers or siblings?", *Marketing Theory*, Vol 13 No 1, pp. 19-46.

Gummeson, E. (2011), "2B or not 2B: That is the question", *Industrial Marketing Management* , Vol 40 No 2, pp 190-192.

Healy, M. and Perry, C. (2000), "Comprehensive criteria to judge validity and reliability of qualitative research within the realism paradigm", *Qualitative Market Research: An International Journal,* Vol 3 No 3, pp. 118-126.

Hilton, T. Hughes T. and Chalcraft, D. (2012) "Co-creation: resource integration and value realisation", *Journal of Marketing Management*, Vol 28 Nos 13-14, pp. 1504-1519.

Johnston, W.J. Leah, M. and Liu, A. (1999), "Theory testing using case studies in business-to-business research", *Industrial Marketing Management*, Vol. 28, pp. 201-213.

King, C. and Grace, D. (2008), "Internal branding: Exploring the employees' perspective", *Brand Management,* Vol 15 No 5*,* pp. 358 – 372.

Kleineltankamp, K. Brodie, R. Frow, P. Hughes, T. Peters, L. Woratschek, H (2012), "Resource Integration", *Marketing Theory*, Vol 12 No 2, pp. 201-205.

Kowalkowski, C. (2011), "Dynamics of value propositions: insights from service-dominant logic", *European Journal of Marketing*, Vol 45 No ½, pp. 277-294.

Layton, R. A. (2008), "The search for a dominant logic: A macromarketing perspective", *Journal of Macromarketing,* Vol 28 No 3, pp*.* 215 – 227.

Lincoln, Y. and Guba, E. (1985), *Naturalistic inquiry*, Sage, Beverly Hills, California.

Lusch, R.F. and Vargo, S.L. (2006), "Service-dominant logic: reactions, reflections and refinements", *Marketing Theory*, Vol 6 No 3, pp. 281-288.

Magee, B. (1985), *Popper,* Fontana, London.

Maglio, P. and Spohrer, J. (2013), "A service science perspective on business model innovation", *Industrial Marketing Management*, Vol 42, pp. 665-670.

Marshall,C. and Rossman, G. (1995), *Designing qualitative research*, Sage, California.

Miles, M. and Huberman, A. (1989), *Qualitative Data Analysis,* Sage, California.

Morgan R.M. and Hunt, S.D. (1994) "The Commitment – Trust Theory of Relationship Marketing," *Journal of Marketing*, Vol 58 No 3, pp. 20-38.

Patton, M. (2002), *Qualitative research and evaluation methods*, Third Edition, Sage, California.

Payne, A., Storbacka, K., and Frow, P. (2008), “Managing the co-creation of value”, *Journal of the academy of Marketing Science,* Vol 36, pp. 83-96.

Prahalad, C. and Ramaswamy, V. (2004), “Co-creation Experiences: The Next Practice In Value Creation”, *Journal of Interactive Marketing*, Vol 18 No 3, pp. 5-14.

Ramaswamy, V. (2011), “It’s about human experiences…..and beyond, to co-creation”, *Industrial Marketing Management*, Vol 40 No 2, pp. 195-196.

Rubin, H. and Rubin, I. (1995), *Qualitative Interviewing: The Art of Hearing Data*, Sage, California.

Sa´nchez-Ferna´ndez, R. and Iniesta-Bonillo, M.A. (2007), “The Concept of Perceived Value: A Systematic Review of the Research”, *Marketing Theory*, Vol 7 No 4, pp. 427–451.

Sammarra, A. and Biggiero, L. (2008), “Heterogeneity and specificity of inter-firm knowledge flows in innovation networks”, *Journal of Management Studies*, Vol 45, pp. 785-814.

Sheth, J.N. (2011), “Reflections on Vargo and Lusch’s systems perspective”, *Industrial Marketing Management*, Vol 40 No 2.

Silverman, D. and Marvasti, A. B. (2008), *Doing Qualitative Research: A Comprehensive Guide*, Sage, California.

Tsoukas, H. (1989), “The validity of idiographic research explanations”, *Academy of Management Review,* Vol 14 No 4, pp. 551-561.

Van de Ven, A. H. (2007), *Engaged Scholarship: A Guide for Organizational and Social Research*, Oxford University Press.

Vargo, S. L. and Lusch, R. F. (2004), “Evolving to a New Dominant Logic for Marketing”, *The Journal of Marketing*, Vol 68 No 1, pp. 1-17.

Vargo, S.L. and Lusch, R.F. (2008a), “Why “service””, *Journal of the Academy of Marketing Science*, Vol 36, pp 25-38.

Vargo, S. L. and Lusch, R. F., (2008b), “Service-dominant logic: continuing the evolution”, *Journal of the Academy of Marketing Science,* Vol 36, pp. 1-10.

Vargo, S.L. and Lusch, R.F. (2011), “It’s all B2B……. and beyond: Toward a systems perspective of the market”, *Industrial Marketing Management*, Vol 40 No 2, pp. 181-187.

Woodruff, R. B., and Flint, D. J., (2006), “Marketing’s service-dominant logic and customer value”., *The Service-Dominant Logic of Marketing: Dialog, Debate and Directions,* (2006). ME Sharpe, Armonk, New York.

Through the Looking Glass; Understanding Consumer Inaction in Retail Financial Services

Tara Rooney, Katrina Lawlor, and Eddie Rohan
Dublin Institute of Technology

Abstract

Understanding why consumers choose to remain in relationships which they find less than satisfactory is a key concern for relationship marketing theory. In this paper we explore the alternative choices available to consumers after exit has been considered and then declined. Applying a narrative methodology within a social constructionist framework, the paper presents a theory of Relationship Neutrality. We go through the looking glass, into to a world of relationship contradictions and irrationality to consider long term relationship engagement which is different from the one theory has grown accustomed to.

Key Words: *Dissolution, Inertia, Disaffect, Narrative*

Purpose of the Study

Theory prefers to focus on the positive aspects and benefits of relationship marketing however it is also the case that relationships can exist in a dissatisfied state (Gummesson 2008) and can be engineered to engender a culture of forced retention (Donaldson and O'Toole 2007, Egan 2008). It is now accepted as fact that consumers can and do remain in relationships in a non-committal or dissatisfied state for extended periods of time (Stewart 1998, Dawes and Swailes 1999). What is less understood are the reasons why consumers choose to continue in these types of situations rather than acting rationally, and exit to a more attractive or more suitable alternative (Yanamandram and White 2012). Consumer relationship dissolution theory does not attend to the possible alternative options for consumers who choose to decline exit in favour of continuance, nor does it consider the behaviour of consumer inaction within the dissolution process. Truly understanding the dissolution and exit process is only possible by also understanding why consumers choose not to exit (Colgate, Nugent and Lee 2007).

In this paper we focus on consumer inaction in services relationships. Specifically we consider the reasons why consumers decline exit after repeated negative experiences. The research will delve into the contemplative space within which a hidden dissolution occurs and consider the motivations and rationalisations leading to consumer inaction within that process. Theorisations provide an alternative option to our current understanding of consumer relationship maintenance, one which is not positive in the consumers mind. What is clear is that the dynamics of deciding not to exit are complex, involving cognitive, behavioural and sociological influencers.

Relationship Dissolution

When faced with relationship breakdown consumers have two broad choices; to exit or to remain. From a marketing perspective, much research has been conducted in the field of consumer exiting (Stewart 1998, Keaveny 1995) which tends to focus on the reasons influencing the decision to exit (Tähtinen and Halinen 2002). Remaining is the alternative option and in the literature this is generally deemed to be a positive outcome within the dissolution process. In this instance, the focus is on the moderators of relationship exit with the suggestion that relationships can in fact grow and improve after recovery.

Looking at dissolution models, two issues are of note. In the first instance, theory tends to take a wide view of relationships rarely taking into account the challenges that might be present within individual relationships. For instance, the process of dissolution can be long or slow depending on the nature of the relationship (Roos and

Strandvik 1997, Coulter and Ligas 2000). Relationships can end abruptly, without any warning or can simply ‘fizzle-out’ with time (Pressy and Matthews 2003, Michalski 2004). Secondly, research often views dissolution as a static staged process, involving a single contributory factor resulting in exit (Michalski 2004). Dissolution theory refers to this as a ‘trigger’ pushing the individual towards exit (Roos and Strandvik 1997). Indeed much of the research in the late 1990’s and early 2000’s focused on how the relationship ended and the factors that influenced termination (see: Keaveny 1995, Roos and Strandvik 1997, Stewart 1998) but conceptualisations remained poor (Tähtinen and Halinen 2000). A more process-led view of dissolution is required, similar to the social psychology literature where it is acknowledged that dissolution does not signal a downward spiral in the relationship, as termination is but one possible option for individuals (Duck 1982).

A barrier to the development of such an approach in the marketing literature is the reality that most dissolution theory, like relationship marketing theory, tends to focus on the factors that moderate dissolution (such as high levels of satisfaction and good alternatives), rather than the factors that drive the process (Yang, Sivadas, Kang and Oh 2012). Nor does current marketing theory attend to the transition points within the dissolution process and consider how consumers move from one phase to another, for instance from the brink of exit to continuing the relationship. Rather it remains focused on the ending process itself (Michalski 2004) with the result that theory has somehow jumped ahead of understanding how this process works to focus on the application of recovery and retention strategies. It is the case that empirical research concerning the motivations, drivers and process of dissolution is lacking.

Consumer Alternatives to Exiting

After considering exit, Lee (1984) specifies that individuals will then enter a resolution phase whereby they make a decision about the future of the relationship. This contemplative space is ultimately where the decision to remain or leave occurs. At this time the individual goes through a process of transformation where they will either move toward exit or will cognitively reassess the relationship anew in order to allow it to continue. For the most part, dissolution takes place in the mind rather than in reality (Duck 1982) and researchers dealing with interpersonal issues have begun to consider this hidden element of dissolution to focus on the transition between stages within the process (Conville 1991). Marketing literature has yet to consider how individuals move between these stages, what these stages are or how external recovery tactics impact consumer decisions at this juncture.

Colgate, Nguyen and Lee (2003) refer to this type of situation as the “Switching Dilemma” and argue that there are two possible outcomes to a consumer’s desire to switch; one is that they actually exit and the other is inertia. At this point the consumer starts to evaluate the costs of leaving versus the costs of remaining. Ultimately the decision to remain is partly influenced by recovery tactics and partly a result of the cognitive process within the consumers mind. Marketing theory fails to consider the latter preferring to focus on the strategies to prevent exit.

Explaining Consumer Inaction

The decision not to exit can, in the event, be more complicated than the decision to exit but nonetheless, is considerably less well understood. While it is the reality that switching variables restrict or influence exiting decisions, other more behavioural issues may be at play. Martin (2008) argues that most consumer choice involves an unconscious component. Non-conscious consumption is an unawareness of external marketing efforts and their effects on repurchasing. It is a learned behaviour in the absence of awareness (Kirshnan and Trappey 1999). Recently theory has shifted away from viewing the consumer as a rational being who actively makes consumption decisions, to focus on the importance of an influential unconscious thought process. Such a shift will require a theoretical change of perspective in how marketers view consumers (Martin and Morich 2011). The argument is that where consumers do not switch when dissatisfied a non-conscious effect is in operation (Huang and Yu 1999, White and Yanamandram 2004). Where this inaction is repeated over time it eventually becomes a default reaction with the effect that future behavioural responses become stereotyped, increasing cognitive barriers and making any prospect of exit very unlikely (Wheatley and Wegner 2001). Contrary to what one might think, this automaticity of behaviour can eventually change beliefs whereby individuals will alter their perceptions to fit or explain an illogical pattern of behaviour (such as not exiting). In the social psychology field, this has been shown to be true even in instances where it is known that the behaviour actually physically or mentally damages the individual, as is the case with Obsessive Compulsive Disorders (Gillan 2014).

Ambivalence can also discourage consumers from enacting exit. However, as a term it is widely misrepresented in the literature. Wheeler and Jones (2006) define emotional ambivalence as the “simultaneous holding of contradictory, opposing or mutually exclusive opinions or feelings about an object, idea or situation” (p. 255). Ambivalence is high in situations where an alternative brand choice yields equal value to the current brand choice and so is likely to be more prevalent in marketplaces where alternatives are perceived as similar. It is also a learned behaviour (Wheeler and Jones 2002) with a slow and incremental development (Stanley, Rhoades and Markman 2006), best suited to long term marketplace relationships. Ambivalent individuals are less likely to make decisions and so will seek the opinions of others prior to action (Zemborian and Johar 2007) making their reactions delayed and responses slower (Boeham 1989). The paradoxical consequence of ambivalence is reduced commitment but a greater likelihood that the relationship will endure.

It is important to acknowledge that decisions are not made in a vacuum and previous decisions often influence future decisions. It is therefore misguided to look at consumer decision making without considering the temporal embedment of past decisions (Van, Zeelenberg and Van Dijk 2007, p. 65). Inaction inertia is a behaviour where an individual will decline a switch based on past inaction. These past decisions not to switch can influence current motivations (Tykocinski, Pittman and Tuttle 1995). The initial missed opportunity to switch is viewed as the ‘inaction’ and the subsequent decisions not to switch are viewed as the ‘inertia’. A consumer’s decision to forgo exit based on their past decisions is often due to regret; anticipated and experienced. Anticipated regret manifests itself if it is perceived that the decision to switch to an alternative will result in a worse situation (Tykocinski and Pitman 1998, Sevdalis, Harvey and Yip 2006). It is therefore tied to Loss Aversion Theory, which states that potential losses are weighed more heavily in the human psyche that potential gains (Kahneman and Tversky 1979). Experienced regret on the other hand, occurs where the consumers past decision not to exit triggers unpleasant thoughts, reminding the consumer of the regret experienced with missing the previous opportunity to switch (Tykocinski and Pittman 2001). This often involves counter-fractional thoughts which represent ‘what-if’ scenarios (Kahneman and Tversky

1982), such as “what-if I had switched last week and received a 50% price reduction”. Inaction inertia is therefore linked to perceptions of self and identity suggesting that the concept of self-relevance maybe be a contributory factor in deciding not to exit a relationship (Bhattacharya and Sen 2003). Tykocinski and Pittman (2001) present this as the ‘emotional’ view consumers pursue to avoid self-recrimination for poor past decisions.

Relationship Inertia and Inaction

Within the literature Inertia is conceptually very poorly understood (Hallowell 1996, Egan 2008). Moderators of the behaviour are well documented and include; low levels of product involvement (Sheth and Parvatiyar 2000), high exit barriers (Battacharya and Bolton 2000, Stanley, Rhodes and Markmann 2006), adequate levels of satisfaction (Egan 2008) and simplification of the consumption experience (McMulland and Gilmore 2003). In one sense it is regarded as a driver of consumer relationships (Egan 2008), representing a state of adequate satisfaction and a degree of resignation (Fournier, Dobscha and Mick 1998). Alternatively it has been purported to signify a type of laziness induced loyalty (Godson 2009) and as such is often identified as a contributor to retention (Sheth and Parvatiyar 1995). Some go so far as to suggest that it is a passive consumer strategy to maintain a relationship status quo (Ye 2005) and in the long term can actually build strong loyalty (Daniel 1999).

As a concept it has strong theoretical associations with habitual repurchasing where it is often referred to as inertial loyalty, evident in low involvement products where the brand is purchased out of habit (Griffin 2002). Not surprisingly therefore it is often discussed as a type of loyalty, as a moderator of loyalty or as a passive state of loyalty (Dick and Basu 1994). It has also been linked to commitment. Wu (2011) for instance, argues that where commitment is high, inertia will be stable and develop affect-based loyalty over time. The reverse also hold true.

Relationship Disaffection and Inaction

Within the field of interpersonal theory, Kayser and Rao (2006) suggest that the development of disaffection within a relationship signifies the attitudinal replacement of positive associations with a detachment and an emotional disconnection. Their five staged process of disaffection in marital dissolution demonstrates how individuals progress from feelings of disillusionment, to hurt, anger, ambivalence and finally disaffection. This evolving emotional disconnect means that the disaffected partner holds neither positive nor negative views of the relationship but rather chooses to exist in a state of apathy.

Unlike the evolving apathy and indifference associated with disaffection, dissatisfaction is considered to be transitory and temporary and so can be accompanied by intermittent feelings of love (Kayser and Rao 2006). So, an individual may be unhappy with their partner after a particular incident, but they can still love that person and once the dissatisfaction has abated, the relationship can return to an amicable state. This is similar to what Sbarra (2006) calls 'sadness recovery'. In interpersonal relationships, because dissatisfaction is viewed as temporary, dwindling after a specific outcome (positive or negative) has been achieved, it does not necessarily generate long term feelings of disharmony and so exit may never consciously materialise as a viable option when one is dissatisfied. This is in contrast to what the marketing literature might suggest. Disaffection can therefore be considered as an alternate outcome within the dissolution process, but one of a more long term and stable nature.

Research Methodology

The methodology took an interpretative perspective applying a Narrative approach of fourteen varied participants within a large educational institution. Given the theoretical requirements of duration necessary for behaviours such as inertia, disaffection and ambivalence to develop, a year long longitudinal design was pursued. To demonstrate financial maturity, participants were also required to have held their Personal Current Account (PCA) with their bank for a minimum period of ten years. In initial semi-structured life history interviews participants outlined their past experiences with Irish financial institutions. This industry was chosen because of the documented high levels of retention and correspondingly low levels of satisfaction within the sector (Aldlaigan and Buttle 2005, Amarach 2014). The interview process followed Kvale's (1996) steps to narrative interviewing. In eight cases follow-up interviews were conducted over a number of months to complete individual's narratives. An overview of the sample population and interview process is provided in Table 1.1.

Table 1.1 Sample Population

No	Gender	Age	Occupation	Marital Status	Interview Duration	Additional Material	Follow-up's
1	Male	Early 30's	Trade	Married	1hr 10 min	None	2 * 15 min
2	Male	Early 30's	Computer Programmer	Single	1hr 05 min	None	2 * 15 min
3	Female	Late 40's	Secretary	Married	40 min	Narrative	2 * 15 min
4	Female	Early 40's	Secretary	Married	1hr 15 min	Photos Narrative	1 * 10 min
5	Female	Early 50's	Manager	Married	1hr 10 min	Photos Narrative	1 * 30 min
6	Female	Early 30's	Lecturer	Married	1hr 20 min	Narrative	1 * 5 min
7	Male	Mid 20's	Engineer	Single	1hr	None	3 * 10 min
8	Male	Mid 40's	Buildings Officer	Married	40 mins	Long Post interview dialogue	None
9	Male	Late 20's	Operative	Married	1hr 20 mins	None	1 * 20 min
10	Female	Late 30's	Admin Staff	Single	1hr	Narrative	None

11	Male	Late 30's	Lecturer	Married	1hr	Narrative	None
12	Male	Late 30's	Lecturer	Married	1hr	None	None
13	Female	Late 30's	Postgrad Student	Married	1hr 20 min	None	None
14	Male	Early 30's	Trade	Married	1 hr	None	None

Two levels of analysis were applied. *Level One* comprised of Analysis of Narratives which involved the production of each participant's life story, comprising of narrative reflections, descriptions and other narrative structures. This approach applied Riessman's (2002) levels of representation and Leiblich, Tuval and Zilber's (1998) holistic approach to narrative interpretation. *Level Two* analysis involved extracting and categorising participant stories. A story was considered any piece of text that had a beginning, middle and end and was a unique tale of specific events. This approach applied Gabriel's (2000) taxonomy which classifies stories as tragic, epic, comic and romantic. It also categorises hybrid versions of these, for instance tragic/comic. Stories demonstrating more than two categorisation themes were not included for analysis as Gabriel states that this dilutes the potency of the story. In total 37 stories were collected and six classifications identified. The study labelled this two tiered approach, *The Narrative Seesaw Method* due to the fact that both approaches involved separately analysing two different forms of narrative whilst simultaneously working together to gain insights.

Research Findings and Interpretations

The following section presents an overview of the research findings. Table 1.2 outlines the stages of participant relationships as identified by the research. Column three provides specific titles of collected stories and narratives which support interpretations.

Table 1.2 Thematic Strands Identified in the Research

Identified Thematic Strands	Relationship Characteristics	Stories and Narrative Excerpts	Motivation to Engage/Disengage
1. Positive Beginnings	Unique/Special Relationship Privilege,Valued, Healthy Relationship	Romantic (Example: "*I'm Different", "Bank Draft for my Daughter", "The Box of Chocolates*")	Familiarity with staff, perceptions of equality, superior service, a sense of personalisation.
2. Early Disappointments	Negative change to the relationship, Disconfirmation of previous positive experiences, Entrapment, Beginning of Disaffect	Romantic/Tragic (Example: "*You mean I'm like everyone else!")*	Increased bank charges, mortgage changes, poor service, unjust charges, inflexibility of the bank.
3. Dealing with Disappointments – Stay or go	Succumbing to disappointment, Dealing with false promises, Managing feelings of betrayal, Holding grievances, Apportioning culpability and blame.	Tragic, Comic, Comic/Tragic (Example: "*The Statement Saga", "The Stolen Card", "Still a Student")*	Attempted resolution deemed sufficient, winning a minor victory, time pressures, 'better the devil you know' philosophy.
4. Strategies for dealing with problem relationships	Threats, bargaining, deception, trickery, manipulation, psychological plot holes, spreading negative word of mouth, redefining the relationship as a positive.	Comic, Comic/Tragic, Romantic/Tragic (Example: "*Trapped in a Fixed Mortgage Rate", "Going to the Police", "The Machiavellian*"	Personal requirement to attempt to manage the situation and retain a perceive level of control under the circumstances.

5. Reasons for staying/not exiting	Lazy, poor alternatives, low expectations, familiarity with systems and procedures, sunk costs, convenience, bank erected barriers, perceptions of similarity across banks.	Tragic, Comic, Comic/Tragic (Example: *"Just GET ME THE LOAN", "The Gold Card*"	Being overwhelmed by a multidimensional assessment of the reasons identified in column two.
6. Collective Consciousness and Financial Folklore	The power and dominance of banks, The insignificance of consumers, barriers are contrived and real, normalised inaction, banking insincerity and lies, Love/Hate relationships	Permeated all types of stories	Collective power a perception rather than a reality. Metanarrative acts as a justification for inaction.

As the methodology took a life history approach the findings are presented such that they take the reader through the key phases of participants banking relationships as identified above. Due to space constraints only short excerpts from stories and narratives will be provided. The first three phases will relate directly to one participant 'G', to demonstrate how the relationship progressed.

Positive Beginnings refers to the first phase of the relationship when participants historically recounted how their banking relationship began. All of the stories in this respect were classified as Romantic and often involved retrospective evaluations of a 'special' and 'amicable' relationship that was mutually beneficial to both parties. Collected stories and narrative excerpts included tones of respect and trust and were characterised by feelings of uniqueness with participants perceiving the relationship as special, valued and healthy. This is evident in the excerpt below in which participant 'G' places herself in a position of perceived status. No evidence of conflict or difficulty is presented as the relationship is one of respect and mutuality. There is a sense of familiarity and almost friendship between the protagonist and other characters in the tale i.e. the bank management and staff. This is evident in the fact that she is recognised and personally known by them.

So when I started working here, I set up a bank a/c for myself.….I would probably be in a unique position where I would have an extremely good relationship with the bank…... So everybody in the bank would know me.… from the porter in the building (laugh) to the manager in the bank. So I'm in a different position probably than most people…… So, from my own point of view, I have banked with them now, with … for possibly about … 15 years.

Motivations to remain in the relationship at this time are based on familiarity with staff, perceptions of equality, superior service and a sense of personalisation.

The *Early Disappointments Phase* identifies stories where individuals recounted historical episodes which they acknowledged as the beginning of difficulties within the relationship. Typically these recollections would start slowly, but would quickly expand as the participant began to remember more details. This process would then create a spiral effect within the interviews in which other events would be recalled. In the case of participant 'G', assessments of these 'disappointments' evidenced a gradual change of attitude toward the relationship over time and usually created feelings of imprisonment and entrapment as evidenced below.

I actually just got a letter the other day stating that they are starting to introduce charges (for the PCA). So I'll be approaching the bank now and asking them about this…. Normally they don't charge me for using the ATM's or lodging money or for anything……I'm going to approach them about that and hopefully because I've been with them for so long that they won't…. I would be very disappointed if they said that they were going to charge me, because I think the fact that I've been a loyal customers for so long. ……I think I'd have to think about it again. And maybe check out other options. But I wouldn't like to have to do that.

The emotions 'G' feels are of annoyance and there is an underlying tone of anxiety due to what she perceives as undisclosed motivations by the bank. The subtext suggests a sense of the unknown, giving an impression of unease. Rationalisations to explain the situation begin to creep in toward the end of the excerpt. This tale is akin to affections being rebuked and evidences a developing awareness that the relationship is not as amicable as perhaps originally thought.

Most of the story's in this category were tragic or hybrid romantic/tragic tales and occasionally peppered with slight undertones of an epic dimension. The stories reveal feelings of betrayal within mature relationships. Perceived degrees of duplicity depended on the longevity of the relationship; the longer its duration, the greater the sense of betrayal but paradoxically making exit less likely. Narrators of tragic stories often presented themselves as victims who were wholly undeserving of unfair treatment, due their long history of successful interactions which made reciprocity and understanding an expectation rather than an unexpected bonus. These narratives capture the process of relationship deterioration and support theory on hostage relationships but adds to understanding by examining the process by which an individual arrived at that feeling.

Participants also reflected on the reasons for *Remaining*. While in nearly all instances the participants expressed an intention to exit at some point in the relationship, none actually followed through on this intention. Only one participant partially exited from an unrelated product as an act of revenge and even though this participant's primary difficulty remained unresolved, he retained the product associated with it. This was common practice and choosing to continue with a relationship was the norm rather than the exception.

'G' was re-interviewed six months later on two occasions to determine the outcome of the event narrated above. It emerged that she had written to her bank who *'politely informed her that there was nothing they could do*'. This effectively blocked further avenues of appeal and extinguished the earlier romanticised notions of hope and amicability with the effect that her commitment to the relationship was withdrawn. In a subsequent interview the situation had deteriorated even further and other cracks appear in the relationship. Despite this, and even though the relationship had clearly spiralled downward into a state of disenchantment, she chose to remain with the bank. In response to this decision she simply stated:

G: *'I couldn't be arsed, it's too much work and it's not possible as my salary is paid into that account'*.

When asked how she felt about the outcome the following response was given:

G: *'They're feckers. I had to try not to slap the clerks. But I'm annoyed at myself and should have put more effort in. I'm shocked that so many people feel that they still want to be with my bank. I'm incapable of explaining it but that's what people do"*.

At this point in the relationship the emotional attachment 'G' expressed in her first interview has abated and she now feels regret because retrospectively she believes she could have tried harder to achieve change. In a further attempt to avoid self-recrimination for not exiting, she legitimises her inaction as a widespread phenomenon among consumers, extracting comfort from generalising her own situation to other consumers. This has the solace-seeking effect of normalising her resistance to switch. At this end point in her life history she defines herself as *'not loyal'* which cognitively represents as an emotional act of rebellion and, while she is not totally content with this outcome, she can tolerate the new situation. The act of retracting her loyalty serves as a minor psychological victory. She has attitudinally changed her feelings toward the relationship, but on the surface nothing has changed because behaviourally she continues to retain the services of her bank, albeit with an increased sense of paranoia.

The *Dealing with Disappointments Phase* exposes the emotions and the strategies common amongst participants. To deal with disappointments participants responded with exiting threats which provided them with an opportunity to express anger whilst simultaneously feeling proactive. A threat to terminate the relationship is more of a release valve to vent one's anger, rather than being a declaration of real intent as demonstrated in an excerpt from a story recounted by participant 'F' below:

'It was anger, frustration with them but not to the point that we were considering moving. Having said that, we might have threatened it in a phone call (laugh) …. But I don't remember at the time thinking we were actually going to move!'………We did threaten to leave for a lower interest rate…The angle is that you have to threaten to leave. You have to say 'well, we've looked around'…. And I've made up figures with what they (other providers) offered as the discount (laugh)…. And they will give it to you!'

Other strategies to deal with disappointments were bargaining and deception. The strategy of Deception was complex and commonplace. In simple terms, it involved knowingly and intentionally lying and concealing information from the bank. In the context of this study, it is viewed as the effortless ability of participants to fake honesty and artfully deceive when necessary. This was deemed an acceptable rule of engagement by the participants as the perception was that banks are less that truthful with consumers. This phenomenon is evident in an excerpt from "The Machiavellian Protagonist", a lengthy story narrated by participant 'D'. Classified as a Comic/Tragic Story it highlights a tactical, artful and somewhat manipulative approach to relationship management. The narrative reveals how stealth can empower customers in their attempts to gain positive outcomes. By successfully concealing the truth the participant can feel powerful in an unbalanced relationship structure. The context to this story is that the participant is now unemployed and therefore cannot acquire the documentation needed for loan approval with the bank in question. He had however secured a loan based on his previous earnings with a rival bank a few weeks prior to his altered employment status and this encounter with his bank. He is in a sense 'trying his luck' and 'taking a chance' that questions will not be asked so that he may gain a more favourable outcome.

I did go into the bank last week. They noticed I was getting a draft made up for a large sum of money, and they asked what it was for 'a house?' I said that it was, and they said had I applied to them (for a mortgage) and I said 'No that I hadn't….So they led me into a room…She went out of her way to sell me a mortgage. 'We're sooo much cheaper…I could save sooo much money'….. She said that it would be 'painless'. All I had to do was produce a letter from work!.... That (requirement) grew to wanting P60's (i.e. certificates of earnings and tax paid) for the last two years … all sorts of documentation. So I said … 'you should stop the conversation now'…Again she pressed …I told them that I had a better offer and that two weeks down the line she might tell me that they weren't actually going to give me approval - which was going to be the case! - so I would be left with nothing.

The research suggests that no single reason dominated a participant's decision not to exit, rather their inaction was multidimensional. However all participants did enter an *Acceptance Phase* once exit had been declined. This phase comprised of narratives and stories that demonstrated a level of participant acknowledgement of remaining in the relationship and the process through which they arrived at this point. These accounts provide substantial evidence that on-going negative experiences in financial relationships defy theory as they do not lead to termination, as might be expected. Even multiple service failures do not to accumulate over time to increase the probability of a termination. On the contrary, the evidence here suggests that as the relationship ages and matures a tolerance for errors appears to increase, with the likelihood of exit actually diminishing. This is evident in the excerpt below from participant 'F' who, at the time of narration, was experiencing great difficulties with his bank. The internal conflict of deciding to remain is evident as he moves from possibly ending the relationship to considering the difficulties involved. It should be noted that in a follow up interview it transpired that this participant did not exit but rather took out an additional financial product with the lender.

I was happy to trust them (at the start) and just that they'd look after us and look after everything for us and we'd stay with them. Money was going in, as I say, everything went through the one account. Well (pause), everything is still with them at the moment. But I mean that's going to change in the morning! I think we'll keep our….But we'll keep our accounts with them, I suppose… I want to call them & say 'Look you are way over the top', & they just say 'well take it or leave it!'… … We could just stop tomorrow! It's pure laziness, I suppose. I mean we haven't gone down & withdrawn everything. But eh, we have (pause), eh (long pause), we could change tomorrow! … So you know it's difficult!

Also evident was the propensity for participants to mentally alter the events as they had occurred and reshape them in a more positive context to cognitively allow participants self-rationalise not enacting exit after expressing the intention to do so. This is evident in the 'Statement Saga Story' excerpt below narrated by participant 'P' which was disclosed in a second follow up interview to establish if the participant, who had a very negative experience with his bank, had exited as he had intended. In the excerpt the participant is justifying why he did not switch and has changed the facts to such a degree that he is now apportioning blame to himself. This interview occurred six months after the initial problem arose. It should be pointed out that the participant had to be reminded of the original incident as he was unable to recall it precisely. This was surprising given the level of irritation and anger it had caused during the first interview. A further point of interest is that the initial grievance was over the cost of statement reprints which were Euro 2.50 per page. At the time of this follow up interview the participant had completely forgotten the source of his anger. The research refers to these as 'narrative plotholes' and they were common across participants. Essentially they demonstrate precisely how individuals change their beliefs and perceptions to explain irrational behavior. The end result is that continuance cannot be resisted and eventually becomes a bad habit.

O yeah, yeah. But you see they give out, they post out your statements anyway, every half a year, every so often, every once or twice a year. But I just couldn't find them. But they charge you for a reprint. It was to pay tax, and so I needed to give my accountant my bank statements for the year. She told me that it would cost… I'm not sure actually how much it was --- I'd say it was a Euro. It wouldn't surprise me if it was a Euro a sheet. And I just kind of said to myself 'Well that's kind of very expensive. But I mean, what could I do? I needed it'.

Forgetfulness did not just extend to altering beliefs to match behaviour, it was also evident in participant's inability to name certain product providers, most notably in the insurance category (life assurance, home insurance). In some instances participants were oblivious to whom supplied their life or home insurance and thus appeared to be engaging with a complete level of absent mindedness and unconsciousness.

Finally, the research identified a *Grand Banking Narrative* which was built on a foundation of established financial folklores and contributes to the construction of a consumer culture of inaction in banking. The most common beliefs held by participant's deals with issues like the social construction of power, dominance and control in consumer banking relationships. Typical themes identified with respect to this metanarrative were; insincere marketing, a love/hate paradox, consumer insignificance, banks as powerful social agents, inaction as normal, a high resistance to change and a collective consciousness of empathy.

Discussion

This paper advances our understanding of relationship dissolution and consumer inaction by considering those instances where individuals who wish to cease a relationship choose to decline exit in favour of continuance. In contrast to existing theory which bases consumer behavior on the assumption that consumers act rationally, this research suggests otherwise evidencing a dissolution process full of contradictions, self-deception and irrationality. Like Buridan's Ass, consumers are unable to exert free will and act rationally, instead choosing to deny stated intentions and remain in relationships they find disappointing.

We theorise that consumer inaction is driven by three effects; Behavioural, Psychological and Sociological. Behaviourally inaction is driven by what the research theorises as Relationship Neutrality which is classified as comprising of four states centered around motivations to act, the factors necessary for engagement and the outcomes to be gained. The four categories are; choice inertia, constraint inertia, out of mind inertia and disaffection and are summarised below in Table 1.3.

Table 1.3 Neutral Relationship Typologies

	Motivation	Requirement	Outcome
Choice-Based Inertia	Simplification of consumption experience	Adequate levels of satisfaction Perceived indifference between suppliers	High resistance to change Habitual Behaviour Ambivalence No relationship development
Constraint-Based Inertia	Perceived inability to exit	Inadequate levels of satisfaction High barriers to exit	Hostage/Captive relationship High thresholds for errors Relationship dissatisfaction Calculative trust and commitment Possible disaffect emerging Inaction Inertia effects - Loss Aversion/Prospect Theory
Out of Mind Inertia	To establish a relationship with no mental commitment or engagement.	Relationship duration	High Resistance to change due to lack of awareness No relationship is perceived to exist Extreme forgetfulness and high levels of unawareness Levels of unconscious consumption and habit
Disaffection	Emotional detachment from the relationship	Duration Repeated dissatisfaction No perceived alternative High Investments	Resentment, disaffection Prolonged disaffection results in extremely low levels of exit Calculative trust and commitment Loss Aversion

The first two categories are consistent with existing theory and are based on perceptions of the choices available and the anticipated/experienced constraints (Stanley, Rhoades and Markmann 2006, White and Yanamandram 2004, Bhattacharya and Bolton 2000). The remaining two are proposed as new theoretical choices that operate at an unconscious and conscious level with the consumer deciding that these are the mechanisms by which the relationship will be managed. While these states are mutually exclusive, the research does formulate a link between "constraint based inertia" and the state labelled "disaffection" whereby the former can eventually evolve into the latter. When this transformation does occur it represents a severe deterioration in the relationship to the point that the consumer has little or no emotional association with their supplier.

We propose that disaffection gives new insight into the overall emotional state of consumers as evidenced by this research. It represents a point of complete emotional disconnection from the relationship (Kayser and Rao 2006) and refers to those consumers who experience frequent dissatisfaction but refrain from exiting. What was previously understood as dissatisfaction in some negative relationships can now be better understood as disaffection. Loss Aversion theory plays a significant role here, where negative rather than positive outcomes dominate an individual's thinking and so they tend to frame the benefits of exiting as potential losses and thus choose to remain (Kahneman and Tversky 1979).

The research further theorises a strong Psychological effect and presents a number of neutral relationship enablers. To this end, a process of *Relationship Redefinition* is in operation which the study found to be critical to permit continuance as it provides a self-relevance mechanism to justify and rationalise remaining. Contingent to this process is a transition within the relationship where the individual moves from considering exit to declining exit. The research labels this as the *Reframing Process*. It demonstrates how consumers move though the stages of dissolution and the process of change rather than the change itself. This often involves the consumer reconstructing events as they occurred and distorting them to reframe them as a positive. This reduces an individual's feelings of internal conflict by allowing them to change their beliefs about a negative incident to cognitively defend their behaviour.

Finally, the research identifies a Sociological effect operating within the retail financial services sector. This very strong social component assists and legitimises consumer inaction in the guise of a *Grand Banking Narrative*. The upshot is that consumers develop an adversarial approach to a powerful partner such as a bank.

Consumers drive this narrative and sustain this narrative, seeking solace for their decisions not to exit through the stories of others.

Implications

The theory of neutral interactions presents a significant step forward in understanding the role and function of inaction within customer relationships and can provide a solid conceptual basis on which to build more realistic dissolution strategies. It considers the contemplative space in which dissolution takes place and offers alternative strategic options for consumers who choose not to exit but remain, even if discontented. Of particular relevance is the process of hidden dissolution which signifies an attitudinal shift toward the relationship without the expected behavioural change (exit). This facet of relationship dissolution has been largely ignored within the literature. The evidence presented here suggests that deep and widespread disaffection underpins consumer inaction in this instance. This may also have implications for other industries where consumer switching is traditionally low, such as utilities, social network providers and telecommunications. To this end, a disaffection model is required as an alternative or complementary measurement to dissatisfaction as the latter is merely a temporary feeling, quickly forgotten and therefore difficult to capture, while the former is a long term more stable effect. Disaffection therefore offers a more sincere and enlightened awareness of relationship quality.

The research further highlights the cognitive behaviour which allows individuals to transit between exiting intentions and back to relationship continuance. Understanding that consumers reframe negative incidents and alter beliefs to accommodate irrational decisions presents new avenues for research.

The adverse social narrative identified in this study has a very significant impact in determining how consumers behave and unless it can be changed then the relationships banks have with both existing and potential consumers cannot be altered. Organisations should work together to facilitate circulating an industry narrative that is as positive as possible. The storied tapestry surrounding banks is collectively of far more significance than simple word of mouth as individual experiences are contextualised within the banking metanarrative. We propose that a refocus of word of mouth theory is required as it is only one part of this overarching socially driven process. However, the influence exerted by the social narrative also acts as a barrier to exit by legitimising experiences and providing collective social rationalisations for inaction. This in effect suggests that banks can deliver poor quality relationships and customers will not leave, fundamentally questioning the value of investing in consumer relationships within the retail financial services industry.

References

Aldlaigan, A. & Buttle, F. (2005), "Beyond satisfaction: customer attachment to retail banks", *International Journal of Bank Marketing,* vol. 23, no. 4, pp. 349-359.

Amarach Consulting (2014), *The TSB Switching Index report*, Amarach Research, Dublin.

Bennett, R. (1996), "Relationship Formation and Governance in Consumer Markets: Transactional Analysis versus the Behaviourist Approach", *Journal of Marketing Management,* vol. 12, no. 5, pp. 417-436.

Bhattacharya, C. & Bolton, R.N. (2000), "Relationship marketing in mass markets", *Handbook of relationship marketing,* pp. 327-354.

Bhattacharya, Chitrabhanu B., and Sankar Sen. (2003), "Consumer-company identification: A framework for understanding consumers' relationships with companies." *Journal of marketing* vol. 67, no. 2 pp. 76-88.

Boehm, C. (1989), "Ambivalence and compromise in human nature", *American Anthropologist,* vol. 91, no. 4, pp. 921-939.

Bruhn, M. (2003), *Relationship marketing: Management of customer relationships,* Pearson Education.

Colgate, M., Nguyen, V. & Lee, C. (2003), "An analysis of why New Zealanders remain with their service providers", *University of Auckland Business Review,* vol. 5, no. 1, pp. 57-66.

Colgate, M., Tong, V.T., Lee, C.K. & Farley, J.U. (2007), "Back from the brink: why customers stay", *Journal of Service Research,* vol. 9, no. 3, pp. 211-228.

Conville, R. (1991), *Relational Transitions, The evolution of personal Relationships.* New York: Praeger.

Coulter, R.A. & Ligas, M. (2000), "The long good-bye: The dissolution of customer-service provider relationships", *Psychology & Marketing,* vol. 17, no. 8, pp. 669-695.

Duck, S. 1982, "A topography of relationship disengagement and dissolution", *Personal relationships,* vol. 4, pp. 1-30.

Dawes, J. & Swailes, S. (1999), "Retention sans frontieres: issues for financial service retailers", *International Journal of Bank Marketing,* vol. 17, no. 1, pp. 36-43.

Dick, A.S. & Basu, K. (1994), "Customer loyalty: toward an integrated conceptual framework", *Journal of the academy of marketing science,* vol. 22, no. 2, pp. 99-113.

Donaldson, B. & O'Toole, T. (2007), *Strategic market relationships: from strategy to implementation,* John Wiley & Sons.

Egan, J. (2008), *Relationship marketing: exploring relational strategies in marketing,* Pearson education.

Fournier, S., Dobscha, S. & Mick, D.G. (1998), "Preventing the premature death of relationship marketing", *Harvard business review,* vol. 76, no. 1, pp. 42-49.

Gabriel, Y. (2000), *Storytelling in Organizations: Facts, Fictions, and Fantasies: Facts, Fictions, and Fantasies,* Oxford University Press.

Gillan, C. (2014), “Why can’t I stop?”, *New Scientist*, 2 August 2014.

Godson, M. (2009), *Relationship marketing,* Oxford University Press.

Griffin, J. 2002, *Customer loyalty: how to earn it, how to keep it,* Jossey-Bass.

Gummesson, E. (1996), *Why relationship marketing is a paradigm shift: some conclusions from the 30R approach,* MCB, Bradford, Presented at 1st Management & Decision Internet Conference on Relationship Marketing.

Gummesson, E. (2008), *Total Relationship Marketing: Marketing Management, Relationship Strategy, CRM, and a New Dominant Logic for the Value-creating Network Economy ,* 3rd edn, Elsevier, Oxford, London.

Hallowell, R. (1996), "The Relationships of Customer, Customer Loyalty, and Profitability: an Empirical Study International Journal of Service Industry Management", vol. 7, no. 4, pp. 27-42.

Huang, M. & Yu, S. (1999), "Are consumers inherently or situationally brand loyal?—A set intercorrelation account for conscious brand loyalty and nonconscious inertia", *Psychology & Marketing,* vol. 16, no. 6, pp. 523-544.

Kahneman, D. & Tversky, A. (1979), "Prospect theory: An analysis of decision under risk", *Econometrica: Journal of the Econometric Society,* vol. 42, no. 7, pp. 263-291.

Kahneman, D. & Tversky, A. (1982), "Variants of uncertainty", *Cognition,* vol. 11, no. 2, pp. 143-157.

Kayser, K. & Rao, S.S. (2006), "Process of disaffection in relationship breakdown", *Handbook of divorce and relationship dissolution in* M. A. Fine and H. Harvey, Routledge, New York.

Keaveney, S.M. (1995), "Customer switching behavior in service industries: an exploratory study", *The Journal of Marketing,* , pp. 71-82.

Krishnan, H.S. & Trappey, C.V. (1999), "Nonconscious memory processes in marketing: A historical perspective and future directions", *Psychology & Marketing,* vol. 16, no. 6, pp. 451-457.

Kvale, S. (1996), *Interviews: An Introduction to Qualitative Research Interviewing* Sage Publications, United States of America.

Landman, J. (1993), *Regret: The persistence of the possible.* Oxford University Press.

Lee, L. (1984). Sequences in separation: A framework for investigating endings of the personal (romantic) relationship. *Journal of Social and Personal Relationships*, vol. 1, pp. 49-73.

Lieblich, A., Tuval-Mashiach, R. & Zilber, T. (1998), *Narrative research: Reading, analysis, and interpretation,* Sage.

McMullan, R. & Gilmore, A. (2003), "The conceptual development of customer loyalty measurement: a proposed scale", *Journal of Targeting, Measurement and Analysis for Marketing,* vol. 11, no. 3, pp. 230-243.

Martin, N. (2008), *Habit: The 95% of behavior marketers ignore,* FT Press.

Martin, N. & Morich, K. (2011), "Unconscious mental processes in consumer choice: Toward a new model of consumer behavior", *Journal of Brand Management,* vol. 18, no. 7, pp. 483-505.

Michalski, S (2004), "Types of Consumer Relationship ending processes", *Journal of marketing Management,* vol. 20, pp. 977-999.

Pressey, A.D. & Mathews, B.P. (2003), "Jumped, pushed or forgotten? Approaches to dissolution", *Journal of Marketing Management,* vol. 19, no. 1-2, pp. 131-155.

Riessman, C.K. (2002), "Narrative analysis", In A.M. Huberman & M.B. Miles (Eds.), *The Qualitative Researcher's Companion,* Thousand Oaks , CA : Sage pp. 217-270.

Roos, I. and Strandvik, T. (1997), "Diagnosing the Termination of Customer Relationships"", *AMA Proceeding, New and Evolving Paradigms: Vie Emerging Future of Marketing, Dublin*, June 12-15, pp. 617-631.

Sbarra, D.A. (2006), "Predicting the onset of emotional recovery following nonmarital relationship dissolution: Survival analyses of sadness and anger", *Personality and Social Psychology Bulletin,* vol. 32, no. 3, pp. 298-312.

Sevdalis, N., Harvey, N. & Yip, M. (2006), "Regret triggers inaction inertia–but which regret and how?", *British journal of social psychology,* vol. 45, no. 4, pp. 839-853.

Sheth, J.N. & Parvatlyar, A. (1995), "Relationship marketing in consumer markets: antecedents and consequences", *Journal of the Academy of marketing Science,* vol. 23, no. 4, pp. 255-271.

Sheth, J.N. & Parvatiyar, A. (2000), *Handbook of relationship marketing,* Sage Publications Thousand Oaks, CA.

Stanley, S.M., Rhoades, G.K. & Markman, H.J. (2006), "Sliding versus deciding: Inertia and the premarital cohabitation effect", *Family Relations,* vol. 55, no. 4, pp. 499-509.

Stewart, K. (1998), "An exploration of customer exit in retail banking", *International Journal of Bank Marketing,* vol. 16, no. 1, pp. 6-14.

Su, X. (2009), "A model of consumer inertia with applications to dynamic pricing", *Production and Operations Management,* vol. 18, no. 4, pp. 365-380.

Tahtinen, J. & Halinen-Kaila, A. (2000), "Ending exchange relationships: what do we know about them?", *Proceedings of the 16th IMP Conference, Bath, UK* Citeseer, Teachers College Press.

Tahtinen, J., & Halinen, A. (2002). Research on ending exchange relationships: a categorization, assessment and outlook. *Marketing Theory*, vol. 2, no. 2, pp. 165-188.

Tversky, A. & Kahneman, D. (1986), "Rational choice and the framing of decisions", *Journal of business,* vol.59, no. 4, pp. 251-278.

Tykocinski, O.E., Pittman, T.S. & Tuttle, E.E. (1995), "Inaction inertia: Foregoing future benefits as a result of an initial failure to act", *Journal of personality and social psychology,* vol. 68, no. 5, pp. 793.

Tykocinski, O.E. & Pittman, T.S. (1998), "The consequences of doing nothing: Inaction inertia as avoidance of anticipated counterfactual regret", *Journal of personality and social psychology,* vol. 75, no. 3, pp. 607.

Tykocinski, O.E. & Pittman, T.S. (2001), "Product aversion following a missed opportunity: Price contrast or avoidance of anticipated regret?", *Basic and Applied Social Psychology,* vol. 23, no. 3, pp. 149-156.

Van Putten, M., Zeelenberg, M. & Van Dijk, E. (2007), "Decoupling the past from the present attenuates inaction inertia", *Journal of Behavioral Decision Making,* vol. 20, no. 1, pp. 65-79.

Wheatley, T., Wegner, D.M., Smelser, N. & Baltes, P. (2001), "Automaticity in action", In N. J. Smelser & P. B Baltes (Eds.), *International encyclopedia of the social and behavioral sciences* (pp. 991-993). London: Pergamon.

Wheeler, P. & Jones, D.R. (2006), "The effects of attitudinal ambivalence and exploratory switching behavior on the use of two decision aids", *International Journal of Accounting Information Systems,* vol. 7, no. 3, pp. 251-271.

White, L. & Yanamandram, V. (2004), "Why customers stay: reasons and consequences of inertia in financial services", *Managing Service Quality,* vol. 14, no. 2/3, pp. 183-194.

Wilson, D.T. (1995), "An integrated model of buyer-seller relationships", *Journal of the academy of marketing science,* vol. 23, no. 4, pp. 335-345.

Wu, L.W. (2011), "Satisfaction, Inertia and Consumer Loyalty in the varying levels of the zone of tolerance and alternative attractiveness", *Journal of Services Marketing*, Vol. 25, Issue 5, pp. 310-322.

Yanamandram, V.K. & White, L. (2012), "Why do some business relationships persist despite dissatisfaction? a social exchange review", Asia Pacific Management Review, 17 (3), 301-319.

Yang, D., Sivadas, E., Kang, B. & Oh, S. (2012), "Dissolution intention in channel relationships: An examination of contributing factors", *Industrial Marketing Management,* vol. 41, no. 7, pp. 1106-1113.

Ye, G. (2005), "The locus effect on inertia equity", *Journal of Product & Brand Management,* vol. 14, no. 3, pp. 206-210.

Zemborain, M.R. & Johar, G.V. (2007), "Attitudinal ambivalence and openness to persuasion: A framework for interpersonal influence", *Journal of Consumer Research,* vol. 33, no. 4, pp. 506-514.

How does exchange create value?

Christopher Medlin* and Michael Saren**

*University of Adelaide, AUSTRALIA
**University of Leicester, UK

Abstract

Exchange and value creation are considered core concepts of marketing. This paper aims to develop a deeper understanding of how exchange is conceptualized and the nature of its role in value creation. We consider exchange as an ideal, a basic conceptual construct. Next we explore the concept of pure exchange, the barest elements of a process of transferring objects to achieve a purpose. Third, we consider the issue of economic exchange, where the purpose of transfer is value gain. These considerations lead to the conclusion that economic exchange is embedded within a network of actors. The paper contributes to the literature by elaborating five fundamental principles of pure exchange and presenting a model of the process that explicitly accounts for the asymmetric nature of time.

Keywords: time, interaction, time asymmetry, value creation, futures

1. Introduction

In this paper we attempt to develop a deeper understanding of how exchange is conceptualized in the discipline. For a long time exchange was considered to be core concept of marketing. (Bagozzi 1975). Later the focus shifted to creating and distributing value through exchanges (Sheth et al. 1988) and now the focus is on value co-creation (Sheth and Uslay 2007). But some form of exchange is inherent to all value creation processes. In this paper we seek to specify the nature of exchange as a process and how that might shape value creation.

The following example illustrates our key question. A patron of the theatre enjoys the pre-event preparation and after- event social group meeting at a restaurant as much as they enjoy the performance of the play. The exchange where payment is made to attend the play is a critical step along a path of value-creation activities, but we would ask how and to what extent is that momentary exchange implicated in the whole process of value creation for the theatregoer? Conversely, the play producer and director prepare and rehearse the series of performances for months or even years, so that hopefully critical acclaim leads to many ticket purchases and a profit. But how does the ticket purchase itself affect how value is created? In this paper we seek to strip back to the minimum in order to elaborate the barest essential elements of exchange that are inside all marketing value creation.

Marketing has developed as a managerial science to codify for managers how to manage exchange with customers. This perspective is shown in the well-known 4P rubric – product, price, place, and promotion (McCarthy 1960). However, researchers seek continuously in other academic areas to provide a theoretical underpinnings to the marketing venture (Alderson 1965; Anderson 1995; Anderson and Challagalla 1999; Bagozzi 1975; Blau 1968; Ehret and Haase 2012; Emerson 1976; Gundlach and Murphy 1993; Houston and Gassenheimer 1987; Houston et al. 1992; Vargo and Lusch 2004). At the heart of all these perspectives, although not always presented explicitly, are a social context and an exchange driven by economic outcomes.

Yet, in each of these endeavours the real nature of exchange is side-stepped by excluding the dynamics of transferring solutions between actors. In this paper we propose and elaborate the exchange process as unfolding continuously through time and this means we take a human and social perspective of exchange. This on-going time sense of exchange is not strongly represented in the marketing exchange literature; with exchange usually occurring within market episodes when transactions are the focus (Perrow 1981), or as periods of negotiation (Ganesan 1993; Malshe et al. 2010), or within customer relationships that are composed of stages (Dwyer et al. 1987). In each example the nature of time flow between and within episodes is lost as each stage is frozen as one state in the on-going exchange. What we propose to scrutinise is how exchange is created in flowing time (Halinen et al. 2012), as an unfolding set of processes whereby two actors seek to gain value. Thus, our contribution is to more closely represent and model exchange than is previously evident in the marketing literature.

We seek to provide a general model of economic exchange that is suitable for research in business-to-business, business-to-consumer and consumer-to-consumer contexts. This requires a high degree of abstraction, but also provides clear theoretical foundations for future research. We note that Bagozzi's (1975) two complex concepts, generalized and complex exchange, incorporate his concept of restricted exchange; but that inclusion is not fully account for within the analysis. Our approach is to provide a deeper understanding of restricted exchange, and to highlight the process perspective of exchange.

Marketing exchange is within the domains of the economic and social world. Thus, the first analytical abstraction is to separate these worlds. The purpose of economic exchange is profit, gain or value-in-use. Economic exchange is evident when the object of social interaction is given a value (Berger and Pullberg 1965). Contrarily social exchange does not involve a profit or gain calculation. Social exchange occurs naturally in family and cultural groups as information flow and exchange of material and socially constructed objects without thought to a gain calculation. Economic exchange requires the social world, but the social world does not require economic purpose, although in reality the two strongly entwine.

A preceding issue in understanding exchange is the conceptual ideal, which is prior to the natural world and exists as a philosophical form. As soon as we introduce nature there is a transformation into what we term pure exchange, the simplest definition of a process of exchange that exists in our world. Pure exchange is less than and does not require the social sphere nor the economic; however as a process the meaning of pure exchange is derived from human understanding. Necessarily, the nature of ideal exchange and the processes of pure exchange shape the understanding of exchange in our social and economic spheres. As a result, our contribution is an improved clarity of the distinctions between exchange in different settings, and so further illumination of how, where and when value is created in marketing contexts.

The paper is structured in the following manner. First we elaborate exchange as an ideal. Next, we elaborate the nature and elements of pure exchange, focusing solely on the processes between two actors unfolding exchange over time. Third, we present a time based model of economic exchange, where time flows asymmetrically forward, within a broader set of interaction processes. Fourth, we elaborate consequences of our analysis of pure exchange for marketing value creation. Finally, we discuss limitations of our study and implications for future research.

2. Ideal exchange

In the history of philosophy the ideal is a concept which is mentally and socially constructed, but the seeing of the ideal takes precedence in its formation before any empirical reality (Kant, 1781). Inside Bagozzi's (1975) conceptualization of restricted exchange the ideal is present as the arrows of $\mathbf{A} \leftrightarrow \mathbf{B}$. There are two arrows, which signify "gives to and receives from" (Bagozzi 1975, 32). Thus, there are two items given and received in an ideal exchange, whether those objects are material or immaterial. Bagozzi (1975) continues his analysis to arrive at utilitarian, symbolic and complex exchange on the basis that the objects in any exchange are a specific mixture of material and immaterial. However, we do not seek to classify exchange, rather we look more deeply at the arrow of restricted exchange. Thus, we note only that ideal exchange is composed of two objects-things-materials-ideas; each is given and received. We do not specify the objective nature of the items exchanged at this ideal level of analysis, rather in the ideal form two material-immaterial items are in the exchange. Similarly we do not specify the actors A and B, they are outside the exchange as the focus is on the ideal.

The word ex-change notes the way a conversion occurs outside the actors. The ideal of exchange is very much present in the dictionary meaning, "to give and receive" (Wilkes and Krebs 1985, 385). To give and receive occurs inside time but can occur in the same moment or in separate moments well apart. Thus, for ideal exchange the period of time over which the exchange occurs is left implied. Neither is there a social meaning given to an ideal exchange, only that two items are exchanged. Thus the properties of an ideal exchange are three:
1. There are two objects.
2. There is a transfer of objects.
3. The objects may or may not be mutable or material.

3. Pure exchange

In this section we wish to elaborate the notion of the minimum elements required to form an exchange. At this level of analysis we are not concerned with social meaning, but we see that the exchange is positioned in the natural world as an empirical reality being comprehended by humans. Thus, exchange occurs between two entities as a process in time, and can be analysed in its parts as required for completion. The concept of a process speaks to the formation of meaning. At the simplest a process has been defined as “a sequence of events that describes how things change over time.” (Van de Ven 1992, 169) But we note that it is not the events alone which describe the process. Events alone, as with ideal exchange, occur in a philosophical vacuum. Rather we apply a more nuanced definition of process. Following Pettigrew (1997) we define process as “a sequence of individual and collective events, actions and activities unfolding over time in context.” (Ibid, 338) This level of analysis reveals pure exchange as only the bare essentials of the process, without the full social meanings. Thus time and the actors, only implied under ideal exchange, are now apprehended.

Here we set out five underlying principles of pure exchange. Figure one presents a model of this pure exchange definition.

1. Exchange is a process occurring through and in time. For a human who lives in the present, time flow is always towards the future: time is asymmetric (Adam 2000).
2. There are at least two actors. Necessarily, with time flow, this brings at least two different actor perspectives to the exchange. Each actor has their own purpose and goal for entering into an exchange. Each actor has their own perceptions of the other actor and of themselves.
3. Exchange concerns a different object[1] for each involved actor. For a simple two actor exchange there are two objects. Each of the actors “gives up” and “transfers” an object to the other actor. Each actor has their own perceptions of each of the objects. As a result, the objects transform in nature as the exchange occurs.
4. Exchange occurs as sets of activity coordinated between the actors. The purpose of the two sets of activities and the coordination is the completion of transfer. The giving and taking may occur in a few moments, as is the case with electronic transfers; but the activities preceding and after the moment or period of exchange are elongated in time.
5. Exchange is linked to the completion of each actors own sets of activities. The post activities of the exchange are where purpose is found. An exchange is always concerning the future. As noted by Axelrod (1984, 174), stable cooperation requires that the “future must have a sufficiently large shadow.” Expected futures precede the present in the form of a “shadow” (Axelrod 1984) or a “sunshine of the future” (Huemer 2014). Knowing the past and so expecting a future creates understandings of futures and these shape the exchange.

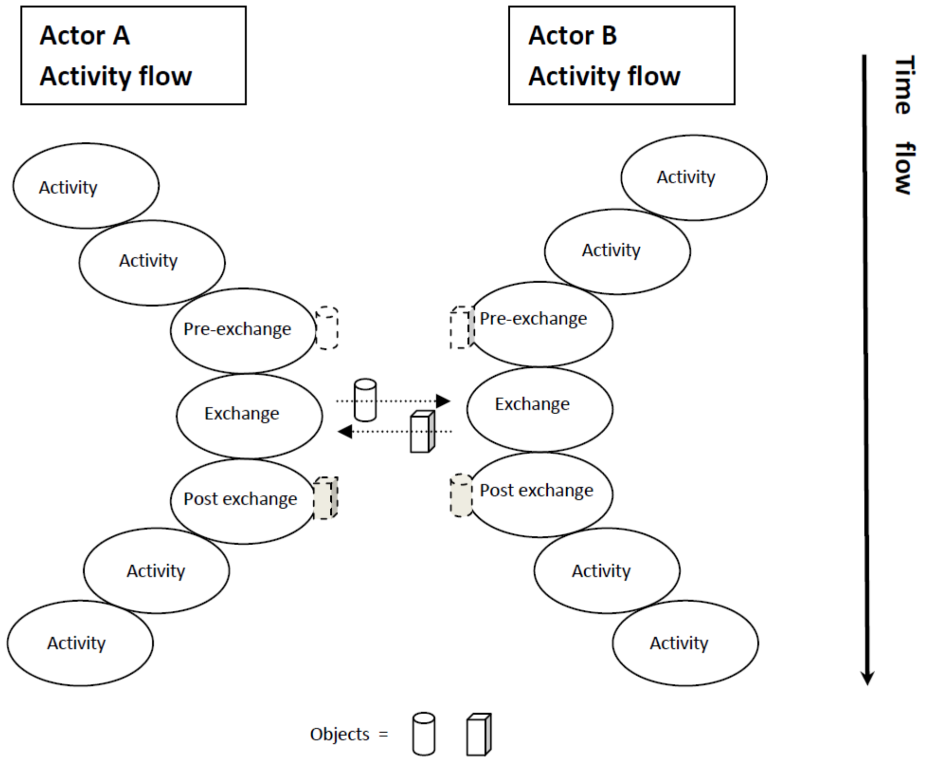
Combining these five principles displays that exchange is both a transfer of objects, as well as a means for each actor to further their own path of activities. The transfer of objects requires coordination between the actors. For the period of the exchange, the times of the two actors are brought together to complete the transfer. But the purpose of the actors is not in the exchange[2]. Rather the actor’s purpose is within the flow of their activities, and for each actor the purpose is necessarily different[3]. Each actor has different inputs to the exchange and different outcomes from the exchange. These

[1] An exchange object is named in Marketing thinking; a product, a service, an idea, a place, or anything that provides a benefit.
[2] Interesting is where the purpose of exchange is the exchange, as in enjoying completing the deal. Still each actor has a distinct and different purpose/s.
[3] Full ccommunication between two actors is not included because this would move the generic exchange model into the social world. Communication is limited to coordination for completing the exchange.

prior and post activities of exchange are also connected to the past and future activities of each actor. The exchange of objects allows each actor to continue to follow their own path of activities.

Mutuality is not necessary regarding the purposes of the exchange, but mutuality is required for coordinating and completing the exchange. The exchange process is inter-subjectively constituted (Luhmann 1979), but the purpose of the other actor is not in a pure exchange. In pure exchange both actors may become partially aware of the others purpose/s, intent and other actions, but understanding of the other is more than is need to complete the exchange.

Figure one: Generic exchange for two actors



Regarding figure one, note how the objects become partially apparent in the pre-exchange and return to partially apparent but in a new form, and now shaded, during the post-exchange period. The objects are also implied in the activities prior to the exchange but their form is still emerging, while in the post activities their form is implied but changed and embedded within the post activities so that their properties are a part of the outcome of the activities.

Taking now one object, and looking back and forward in time, the first thing to note is that the object is not fixed in meaning or shape or even reality as a single unchanging idea, item or process. One can say that at some time before the exchange the object does not exist and then is brought into being by one actor, or a group of actors. Then at the point of exchange the object is only partially fixed, with no clear ontological status, because even at that time both actors have different understandings and purpose for the object.

Considering two objects after the exchange we can see that each changes their connectedness and so their meanings, as each now exist in a different path of activities. To give these ideas specific meaning consider only Actor J, who has oranges and is preparing a jar of marmalade. The jar is required from actor M. In exchange for jars, actor J gives actor M jars of marmalade. The glass, lids and oranges are all converted through sets of activities into jars of marmalade. Under the conditions of pure exchange the transfer of objects occurs only to facilitate each actor's sets of activities; there is no consideration of the social meaning beyond the exchange purpose, nor a consideration of relative values. Also there is no combining of processes. Actors S and M are each pursuing separate processes, where the exchange is one activity in the set of processes.

At this point there are two ways forward in the analysis: social and economic exchange. Next we analyse economic exchange, but we note that the social sphere precedes and encompasses the economic arena. However, as we proceed we do not open the full social sphere to our analysis, we only include as little as required to understand economic exchange. To do otherwise opens too great a degree of complexity to the analysis.

4. Economic exchange

We now move the analysis to economic exchange in a broader marketing context. Economic exchange, in addition to the five principles above, includes the transferring of objects to derive a profit or achieve a long-term business gain or objective or value-in-use. In economic exchange there is a cost-benefit calculation. Each of the elements of pure exchange informs how actors derive economic value.

First, asymmetric time flow means that value changes through on-going activities[4]. Second the two actors have different purposes and seek value in different ways through their own sets of activities. Combining three, four and five, the objects of exchange gain value as they proceed from one actor's activity sequence to the other, and the objects mutate through that exchange process. The path for value analysis follows the object from prior exchange in actor A's activity sequence into the activity sets of Actor B.

Where is value in pure economic exchange? At the time of exchange each actor is giving away property rights to an object which, for them, has less future value in use. The value of the objects is necessarily relative (Young 1911); but for each actor the base number for measuring value is different. While the two objects have equal value to the actors for a *rational* explanation of the exchange, intriguingly and more importantly the objects also have different future values-in-use. The differences in value arise because of the different and distinct connections and uses of the objects in each actor's activity sequence. Value is gained in the future period and relative to an actor's other activities, which are conducted with third party actors. Thus, the network of actors involved in future activities after the exchange is an important part of value creation. This means economic exchange always involves more than two actors. The network of actors and specifically the activities, into which the exchanged object travels, is where economic value is achieved. Remember this is for pure and economic exchange, more complex exchanges are considered shortly.

[4] Even if no change is made to an object, the network around the actor, in which their activities are embedded, is changing and so value is changing. Value is always relative (Young 1911).

Finally, mutuality for completing the exchange means that each party gains some idea of the value about to be derived by the other party. The longer the economic exchange process, the greater is the impact of inter-subjective communication, and the greater is the influence of the social sphere.

To conclude our discussion concerning pure and economic exchange we see the following as the key points from our theoretical analysis.

1. Gaining from an economic exchange requires multiple actors, not only two actors as is the minimum case with pure exchange.
2. The economic gain is not in the exchange process, but rather in the way the transacted object fits inside each actor's own sequence of activities. How the post-exchange activities are connected to the object notes connected actors. The network of actors, and the specific connections of local actors, is an essential element of creating economic gain. But the way an actor prepares an object for exchange helps the fit into the other actor's activity sequence and so can change how value is gained.

To summarize these points, we see that a process perspective of pure and economic exchange makes clear where, when and how value is created by economic exchange. But economic exchange is only a part of the interaction process between actors. Interaction is a broader concept, which includes exchange and the social creation of the exchange context. In the next section we explore these distinctions by applying the asymmetric time perspective.

5. Economic exchange, processes and value creation

To this point in our analysis exchange has operated as a gate where an object switches from one set of activities into another actor's activity sequence. This perspective strongly notes the flow of asymmetrical time. In this perspective the exchange is a separate, but necessary process within the single actor's own activity sequence. And value is gained outside the exchange process. But there are many economic exchanges where the actor's processes are also inside the exchange process, or the exchange processes are inside the actors' processes. For example, services and business relationships represent more complex contexts inside which exchange is an essential element of value creation. Service provision and business relationships may seem to create on the one hand a single shared process between actors and on the other hand multiple interdependent process between actors. In both cases the social sphere is a growing element of the economic exchange.

Thus, we turn attention to the case of synchronous activity by two actors where value is gained within a set of processes which is also an economic exchange. These complex types of exchanges are based on interdependencies between the actors processes, that is on substantive interaction (Håkansson et al. 2009). One can study these complex interdependencies of actions, literally interactions, to observe how value is created together (Grönroos and Voima 2013; Lusch et al. 2010). For example, Grönroos and Ravald (2011) note that supplier and customer are engaged in two separate processes in multi-lane sets of activities. This highlights more an asymmetrical time perspective, whereas a Service-Dominant Logic view possibly over-relies on the synchronicity of the actors' actions and in some researcher's analysis may consider all synchronous activities as one process. What is important is that time perspective changes the researcher's analysis.

If we follow more the asymmetrical time perspective two analyses are available. The first is of closely entwined processes, which leads to how each actor is shaped by the joined processes. This is effectively an outside-in view of economic exchange, where interactions shape the actor. The second analysis, from a wider network perspective, shows that even though value is created together in two joined processes, the worth of the values is relative to a network. Thus, the purpose of the joined activity is gained relative to actors outside of those processes and exchange and is found in the next set of each actor's activities. In this inside-out analysis the sequence of goals in asymmetrical time is where the final value is realized. When a relationship continues or a service is repeated there is a continuing co-creation of some value, which is partly from the exchange and also the joined outcome; but the real value and purpose is realized relative to the actors outside the co-creation processes and the exchanges involved. This is because the different identity and network positions of the actors' means two different outcomes and so different value created.

6. Social exchange

To round off our elaboration we briefly consider social exchange, but in a very simple and undifferentiated society. Imagine three actors who live together and who's every action shapes their joined futures. There are no separate futures, as there would be in an econmic network where actors are differentiated and can gain value relative to differents sets of actors. In this imaginary social universe the only value is the continuing re-creation of a new society to support the three actors. All value created is to ensure survival. The processes of the three actors are entwined for one purpose, and if there are three processes apparent all are for the one final higher purpose. The goals of one are the same as for all. In this almost synchronous set of processes the society does not consider exchange, there is simply on-going joined activity or shared destiny.

The simple society considered above shows that economic exchange is a part of a human world which is socially differentiated and networked according to different sets of actors. The economic exchange model highlights that every actor, whether individual or group, cooperates in an exchange to compete in a different activity flow in the multi-lane flow of time. Thus, cooperation and competition are complementary in a time flow perspective, but have different foci. Each actor in a network is pursuing cooperative and competitive activities towards different actors simultaneously. What from one perspective is a coperative activity, can from another perspective be a competitive activity, and from yet another perspectives be a mixture. This suggests that neither cooperation nor competiton alone effectively provide an understanding on either economic exchange or the interactions occuring in the business and consumer network. Rather any analysis is true only to that perspective of exchange or that changing position inside the business or consumer network.

7. Concluding comment

The answer to our research question is that economic exchange is integral to how value is created in a marketing system. Value is created through either exchange and sequential processes or synchronous and sequential processes again joined by exchanges, but in different ways. But importantly value is a relative matter, and in a differentiated set of actors where each has a different identity in the network with their own connections, the nature of value created is always different for each actor. Each actor pursues their own value creation processes and sometimes they pursue the same outcome to create their own different value. The degree to which the latter is true depends on the perspective of joined goal, but even when there is a joined goal other goals are also present now and in a future. The issue is that one action can have multiple goals, and economic exchange presumes a network providing different perspectives of value creation.

8. Future research

This paper has elaborated five fundamental principles of pure exchange and presented a model of the process that explicitly accounts for the asymmetric nature of time.

The first area that requires more theoretical development is on the nature and type of asymmetries in the exchange process, in particular power, information and resource asymmetries. These asymmetries create and sustain supply and demand heterogeneities and so shape where and when value is created. For example, it is well understood in the traditional marketing literature how buyers and sellers utilise their resources – physical, intangible, economic, social, skills and materials – in order to differentiate their offerings and create barriers to market entry and product imitation. The consequence of these efforts is greater asymmetry in resources. Similarly, economic actors go to considerable effort to enhance, gather and protect their knowledge and information, seeking advantage over actors in the exchange. This creates information asymmetry. These cases of resource and information heterogeneity are both utilised by actors for unique and specific power advantages. But the creation of power, information and resource access are also time bound. When an asymmetry is created exchange is possible. The issue is how to arrange asymmetries in time so that benefits are shared between actors, or more precisely how to enhance the network conditions for exchange.

A second area for future research is accounting more strongly for the social side of exchange. The model presented in this paper has largely removed the social nature of economic exchange and interaction. Yet, the social network is where information concerning power, information and resource asymmetries is communicated. Thus, the gains of exchange for consumers are realised within a network of social actors, which includes the cultural environment, cultural agents, and institutions. Further investigation of these phenomena and process might fruitfully take place within the consumer culture theory (CCT) school of research (Arnould and Thompson, 2005)

Third, the notion of 'object' is treated in a very specific way in our model focusing on the economic exchange in an interaction context. The term 'object' is unfortunate because although we mean 'object of exchange' - which could be be a product, a service, knowledge, meaning, time-saved, an agreement or a promise - the term 'object' implies a physical, material entity. Vargo and Lusch (2004) have brought to the attention of the marketing scholars that in most cases the object of exchange is actually an immaterial service of one form or another. The notion 'object of exchange' is underdeveloped in our model. The concept of 'market object' has been problematized and the issue of its stable/unstable nature is well articulated by Finch and Geiger (2011). The interaction context assumed in our model is described as a time bound process between two actors *focusing on an object* (Medlin and Saren 2012). In this formalization of interaction the actors are strongly cognitive and time is relational with its normative conceptualization of past-present-future' providing both a context and also crucially a way of conceiving meaning (Jung, 1968). More theoretical work is required in order to better conceptualise this new use of the term 'object' for this context of interaction and exchange.

References

Adam, Barbara (2000), "The temporal gaze: the challenge for social theory in the context of GM food," The British Journal of Sociology, 51 (1), 125-42.

Alderson, Wroe (1965), Dynamic Marketing Behaviour: A Functionalist Theory of Marketing: Irwin.

Anderson, James C. (1995), "Relationships in Business Markets: Exchange Episodes, Value Creation, and Their Empirical Assessment," Journal of the Academy of Marketing Science, 23 (4), 346-50.

Anderson, Wilton Thomas and Goutam N. Challagalla (1999), "Anatomy of Exchange," Journal of Marketing Theory and Practice, 7 (4), 8-19.

Arnould, Eric. J. and Thompson, Craig. J. (2005), 'Consumer Culture Theory (CCT): Twenty Years of Research', Journal of Consumer Research, 31(3), 868-882.

Axelrod, Robert (1984), The Evolution of Cooperation: Basic Books, New York 1984.

Bagozzi, Richard P. (1975), "Marketing as Exchange," Journal of Marketing, 39 (4), 32-39.

Berger, Peter, L. and Stanley Pullberg (1965), "Reification and the Sociological Critique of Consciousness," History and Theory, 4 (2), 196-211.

Blau, Peter (1968), "Social Exchange," in International Encyclopedia of the Social Sciences, Vol. 7. New York: Macmillan and Free Press.

Dwyer, Robert F., Paul H. Schurr, and Sejo Oh (1987), "Developing Buyer-Seller Relationships," Journal of Marketing, 51 (2), 11-27.

Ehret, M. and M. Haase (2012), "The common ground of relationships and exchange: towards a contractual foundation of marketing," Journal of Business & Industrial Marketing, 27 (6), 447-55.

Emerson, Richard (1976), "Social Exchange Theory," Annual Review of Sociology, 3 (1976), 335-62.

Finch, J. and S. Geiger (2011), "Constructing and contesting markets through the market object," Industrial Marketing Management.

Ganesan, Shankar (1993), "Negotiation Strategies and the Nature of Channel Relationships," Journal of Marketing Research, XXX (May 1993), 183-203.

Grönroos, Christian and Annika Ravald (2011), "Service as business logic: implications for value creation and marketing," Journal of Service Management, 22 (1), 5-22.

Grönroos, Christian and Päivi Voima (2013), "Critical service logic: Making sense of value creation and co-creation," Journal of the Academy of Marketing Science, 41 (2), 133-50.

Gundlach, Gregory T. and Patrick E. Murphy (1993), "Ethical and Legal Foundations of Relational Marketing Exchanges," Journal of Marketing, 57 (October 1993), 35-46.

Håkansson, H., D. Ford, L.E. Gadde, I. Snehota, and A. Waluszewski (2009), Business in networks. Glasgow: John Wiley & Sons.

Halinen, Aino, Christopher J. Medlin, and Jan-Åke Törnroos (2012), "Time and process in business network research," Industrial Marketing Management, 41 (2), 215-23.

Houston, Franklin S., Jule B Gassenheimer, and James M Maskulka (1992), Marketing Exchange Transactions and Relationships. Westport, Connecticut: Quorum Books.

Houston, Franklin S. and Jule B. Gassenheimer (1987), "Marketing and Exchange," Journal of Marketing, 51 (4), 3-18.

Huemer, Lars (2014), "Creating cooperative advantage: The roles of identification, trust, and time," Industrial Marketing Management.

Jung, Karl (1968) Man and his Symbols. New York: Dell Books.

Kant, Immanuel (1781/2007), Critique of Pure Reason. Penguin Classics, London: Penguin Books.

Luhmann, Niklas (1979), Trust and Power. New York: John Wiley.

Lusch, Robert F, Stephen L Vargo, and Mohan Tanniru (2010), "Service, value networks and learning," Journal of the Academy of Marketing Science, 38 (1), 19-31.

Malshe, Avinash, Jamal A. Al-Khatib, and John J. Sailors (2010), "Business-to-Business Negotiations: The Role of Relativism, Deceit, and Opportunism," Journal of Business-to-Business Marketing, 17 (2), 173-207.

McCarthy, E. Jerome (1960), Basic Marketing: A Managerial Approach. Homewood IL: Richard D. Irwin Inc.

Medlin, Christopher J. and Michael Saren (2012), "Interaction: Coherence to a future," in Business-to-business Marketing Management, Strategies, Cases and Solutions in Advances in Business Marketing and Purchasing, Mark S. Glynn and Arch G. Woodside, Eds. Vol. 18: Emerald.

Perrow, C. (1981), "Markets, Hierarchies and Hegemony," in Perspectives on Organization Design and Behaviour, A. Van de Ven and W.F. Joyce, Eds. NY: Wiley-Interscience.

Pettigrew, A.M. (1997), "What is a Processual Analysis?," Scandinavian Journal of Management, 13 (4), 337-48.

Sheth, Jagdish N and Can Uslay (2007), "Implications of the revised definition of marketing: From exchange to value creation," Journal of Public Policy & Marketing, 26 (2), 302-07.

Sheth, Jagdish N., David M. Gardner, and Dennis E. Garrett (1988), Marketing Theory: Evolution and Evaluation. New York: John Wiley & Sons.

Van de Ven, A.H. (1992), "Suggestions for Studying Strategy Processes: A Research Note," Strategic Management Journal, 13 (S1), 169-88.

Vargo, Stephen and Robert F. Lusch (2004), "Evolving to a New Dominant Logic for Marketing," Journal of Marketing, 68 (1), 1-17.

Wilkes, Gerald A. and William A. Krebs Eds. (1985), Collins Concise English Dictionary. Sydney: Collins.

Young, A.A. (1911), "Some limitations of the value concept," The Quarterly Journal of Economics, 25 (3), 409-28.

To adopt, or not to adopt: that is the question

Elina Petersone*, Allard C.R. van Riel**, Jörg Henseler***, and Ellen Roemer*

*Hochschule Ruhr West, 45407 Mülheim an der Ruhr, Germany
**Radboud University, 6500 HK Nijmegen, The Netherlands
*** University of Twente, 7500 AE Enschede, The Netherlands

Key words: Integrated Solutions; Risk; Value; Trust

An Extended Abstract

Nowadays, inter-organizational transactions occur in an increasingly complex environment. Stand-alone product bundling with additional services has been an emerging trend across industrial manufacturers over the last decade (Jacob & Ulaga, 2008; Vargo & Lusch, 2004). On the one hand, industrial manufacturers are increasingly offering to organizational customers' integrated products and services as a solution to their particular problems or needs[1]. Customers, on the other hand, have to decide, whether to adopt an integrated solution (IS) or not. Often customers have difficulties to define and articulate their needs, and sometimes they are even not fully aware of them in the first place (Selviaridis et al., 2011).

Especially, if an IS consist of complementary elements[2] (see Shankar et al., 2007), the organizational adoption process[3] of an IS is more complex than the adoption of a new stand-alone product or service. The complexity is apparent because the customer has to simultaneously consider multiple complementary elements of the IS, from a strategic and an operational perspective, and evaluate how these will affect the long-term organizational goals and daily based operational routines (van Riel et al., 2013). Furthermore, the adoption process of IS involves multiple decision-maker parties (Pae et al., 2002) as well as an extensive customer-supplier interactions (Cova & Salle, 2008).

The shift toward selling IS instead of stand-alone products/services in isolation provides new opportunities to create new value propositions to customers (van Riel et al., 2013). Thus, to co-create the customer value and to support the organizational adoption process an extensive customer-supplier interactions have to take place (Prior, 2013). The purpose of this paper is to develop a deeper understanding behind the customer-supplier interaction process, as the mediating mechanisms, affecting the relationship between the facilitators and barriers of the IS and the organizational adoption of the IS. Hence, our research question is: *How the organizational decision-making process to adopt an integrated solution is affected by the mediating mechanisms?*

The mediating mechanisms are derived from the traditional marketing literature, such as, *perceived risk* (Stone & Grønhaug, 1993), *perceived customer value* (Ravald &

---

[1] In the marketing literature these integrated bundles are known as an *integrated solution* (further abbreviated as IS)and is defined by Brady et al. (2005, p. 360.) as a "*unique combination of products and services that address a customer's specific business problems*".

[2] Shankar et al. (2007) propose two distinguished IS dimensions, either complementary (e.g. such as an iPod (good) and iTunes (vital to the good service) or independent (e.g. Toyota Motors' car (good) and an auto loan (service)).

[3] Rogers (1995) proposes that adoption refers to the decision of an organization to make use of an innovation.

Grönroos, 1996; Ulaga & Chacour, 2001) and *trust* (Morgan & Hunt, 1994). We deliberately select these three constructs, based on following two reasons. First, they are very popular constructs among academia for explaining the decision-making processes (Medlin, 2004; Parry et al., 2012; Prior, 2013). Second, we focus on a circumstance, where the customer deliberates adopting an IS from a new supplier. Perceived risk, perceived customer value and trust are particularly suitable at the initial customer-supplier interaction stage.
We propose a conceptual framework illustrated in

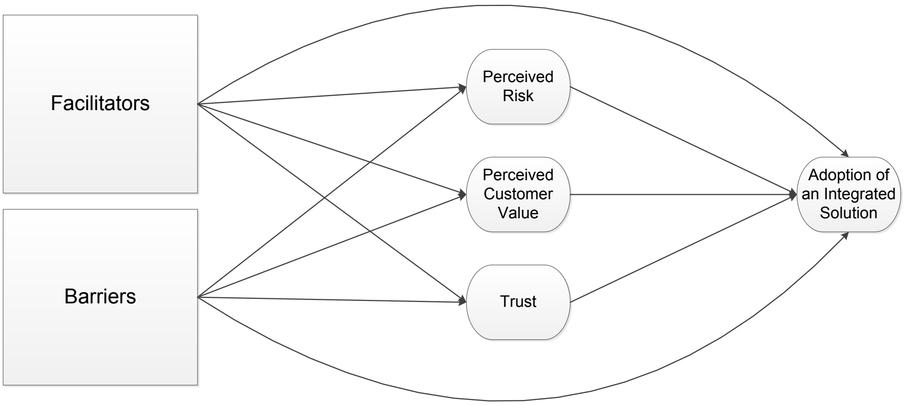


Figure 1 to support our further elaborations on this topic.

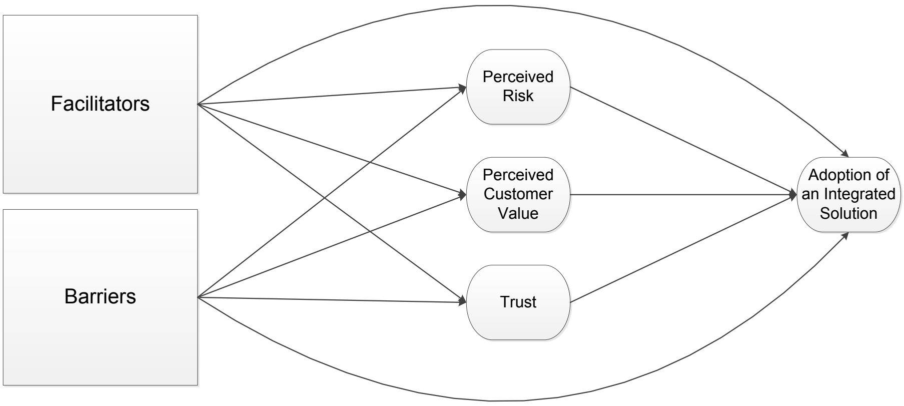


Figure 1: Conceptual Framework

Figure 1 illustrates on the left side the facilitators and barriers of an offered IS[4] and on the right side the organizational adoption of an IS. In following we shortly elaborate on each mediating construct.
The complex nature of IS will involve the element of risk. Particularly, customer perceives risk when beginning a new relationship with the supplier, and when deliberating on a possible organizational adoption of an IS. According to Taylor (1974), any choice situation will involve risks associated with the outcome, if a lack of knowledge/information is offered, and risks associated with the consequences in terms of a loss. Castaño et al. (2008) stress that customers are especially faced with risks when predicting the value of complex innovations, in our case IS. These risks

[4] In line with the literature, the facilitating factors of an IS are the uniqueness, customization, improved image, differentiation among competitors and most importantly the long term value (e.g., Nordin & Kowalkowski, 2010; Tuli et al., 2007; Ulaga & Reinartz, 2011). The barriers associated with an IS is the complexity and the costs (Brady et al., 2005; Tuli et al., 2007; Ulaga & Reinartz, 2011). Please note that according to an individual case of an IS, the facilitators and barriers might vary.

have been widely documented as barriers to the adoption of complex innovations (Castaño et al., 2008). Hence, we propose

P1: If the supplier provides a sufficient amount of knowledge/information of the IS, the customer will perceive less risks, which in turn will positively affect the relationship between the facilitators and the organizational adoption of an IS. On the contrary, if the supplier lacks the ability to provide the customer a sufficient amount of knowledge/information of the IS, the customer will most likely perceive more risks of an IS and, thus, the construct of perceived risks will positively affect the relationship between the barriers and the organizational adoption of an IS.

Customer perceived value represents the trade-off between benefits and sacrifices of the supplier's offering perceived by the customer (Ulaga & Eggert, 2006). The research from Ulaga & Eggert (2006) shows that supplier, by creating a superior value to their customers, can gain a key supplier status, and also positively influence organizational adoption process of an IS. Ulaga & Eggert (2006) indicate that the customer more likely perceives the value of the offering superior, when the supplier offers a service support, a personal interaction and a know-how to the customer. Hence, we propose:

P2: If the elements of customer service and promising know-how abilities, which hold the potential to improve customers' position in the market, are already included in the offering of the IS, the customer will most likely perceive more value, which will positively amplify the relationship between the facilitators and the organizational adoption of an IS. On the contrary, with a lack of customer service and promising know-how abilities, the customer will perceive less value of an IS, which will positively amplify the relationship between the barriers and the organizational adoption of an IS.

The last mediating mechanism we propose is trust. When the customer has to rely on the supplier believing that his/her needs will be fulfilled, trust becomes a central component of their interactions (Ford, 1990; Håkansson, 1982). Morgan & Hunt (1994) conceptualize trust as existing when one party has confidence in an exchange partner's reliability and integrity. Schurr & Ozanne (1985) found that trust is central to the process of achieving cooperative problem solving interaction. The amount of trust will also determine the customer-supplier impending relationship development (van Riel et al., 2011). Jean et al. (2014) suggest that because trust eases customer-supplier communication, it will lead to better knowledge exchange and facilitate the IS' value co-creation process. The mediating mechanism of trust throughout the customer-supplier interactions will prominently allow us to gain deeper knowledge on the facilitator effect on the organizational adoption of an IS. Thus, we propose:

P3: Customer-supplier interactions based on trust, will positively affect the relationship between the facilitators and the organizational adoption of an IS. Vice versa, the customer-supplier interactions that are not based on trust, will positively affect the relationship between the barriers and the organizational adoption of an IS.

In order to test our proposed framework, we intend to use both qualitative and quantitative research methods. We intend to conduct in-depth interviews with organizations that have recently adopted an IS as well as similar type of organizations that have not adopted an IS. Eisenhardt & Graebner (2007) suggests that polar cases in the sample allow researchers to better observe the contrasting patterns in the data and to identify the central constructs and potential construct relationships. To avoid single informant bias and to increase the reliability and validity of the data, we will interview at least two respondents from one organization, who were involved in the decision-making process to adopt or not-adopt an IS (Kumar et al., 1993). We will

conduct at least twenty in-depth interviews or when the information has reached its saturation (Corbin & Strauss, 2008). We will transcribe and analyze the interviews, using grounded theory to identify thematic categories (Corbin & Strauss, 2008). The coding process will consist of 'open' coding, 'axial' coding and concluded with 'selective' coding. The identified thematic categories and to them linked concepts will be assessed with inter-coder agreement (Rust & Cooil, 1994). With this approach we will be able to generate an item[5] pool for our quantitative research.
As a second step, we intend to conduct a quantitative research by developing a large-scale survey to test our conceptual framework and receive more generalizable findings. The initial set of items identified in our qualitative study will be examined on content validity (Netemeyer et al., 2003). The long-scale survey will be pre-tested by group of managers and scholars (Diamantopoulos et al., 1994). We will collect the data by means of a telephone survey[6]. We will survey at least 150 respondents to conduct the data analysis with structural equation modeling (SEM) method. We will assess the data reliability and validity requirements, especially because we will work with self-developed questionnaire (Fornell & Larcker, 1981).
Given the growing supplier market complexity, customers have to decide to adopt or not to adopt an IS. with our research we will contribute to the existing literature by investigating the concept of IS from the customers' perspective, which up until now has been a scarcely investigated topic (Nordin & Kowalkowski, 2010). We also intend to contribute academia by offering a generalizable framework of IS, which has been tested by the means of a quantitative research (Jacob & Ulaga, 2008). We also take the existing literature one step further by looking behind the customer-supplier interactions and how these mediate the adoption of IS. With our research we can deduce implications for marketers. Our research findings could aid marketers to identify or at least acknowledge the critical elements and phases in the customer-supplier interaction process, where the mismatch or miscommunication occurs, which potentially leads the customer not adopting an IS. Furthermore, marketers will be able to design more effective offering concepts of an IS to foster the organizational adoption of an IS.

[5] Only items with their coefficient values greater than .70 will be further considered (Rust & Cooil, 1994).
[6] The sample will be obtained from the decision-makers involved in the adoption or non-adoption of IS decision process.

References

Brady, T., Davies, A., & Gann, D. M. (2005). Creating value by delivering integrated solutions. *International Journal of Project Management, 23*(5), 360-365.

Castaño, R., Sujan, M., Kacker, M., & Sujan, H. (2008). Managing Uncertainty in the Adoption of New Products: Temporal Distance and Mental Simulation. *Journal of Marketing Research, 45*, 320-336.

Corbin, J., & Strauss, A. (2008). *Basics of qualitative research: Techniques and procedures for developing grounded theory*: Sage.

Cova, B., & Salle, R. (2008). Marketing solutions in accordance with the SD logic: Co-creating value with customer network actors. *Industrial Marketing Management, 37*(3), 270-277.

Diamantopoulos, A., Reynolds, N., & Schlegelmilch, B. B. (1994). Pretesting in questionnaire design: The impact of respondent characteristics on error detection. *Journal of the Market Research Society*.

Eisenhardt, K. M., & Graebner, M. E. (2007). Theory building from cases: opportunities and challenges. *Academy of management journal, 50*(1), 25-32.

Ford, D. (1990). *Understanding business markets: Interaction, relationships and networks*: Academic Press London.

Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, 39-50.

Håkansson, H. (1982). *International marketing and purchasing of industrial goods: An interaction approach*: Wiley Chichester.

Jacob, F., & Ulaga, W. (2008). The transition from product to service in business markets: an agenda for academic inquiry. *Industrial Marketing Management, 37*(3), 247-253.

Jean, R. J., Sinkovics, R. R., & Hiebaum, T. P. (2014). The Effects of Supplier Involvement and Knowledge Protection on Product Innovation in Customer–Supplier Relationships: A Study of Global Automotive Suppliers in China. *Journal of Product Innovation Management, 31*(1), 98-113.

Kumar, N., Stern, L. W., & Anderson, J. C. (1993). Conducting interorganizational research using key informants. *Academy of management journal, 36*(6), 1633-1651.

Medlin, C. J. (2004). Interaction in business relationships: A time perspective. *Industrial Marketing Management, 33*(3), 185-193.

Morgan, R. M., & Hunt, S. D. (1994). The commitment-trust theory of relationship marketing. *The Journal of Marketing, 58*, 20-38.

Netemeyer, R. G., Bearden, W. O., & Sharma, S. (2003). *Scaling procedures: Issues and applications*: Sage.

Nordin, F., & Kowalkowski, C. (2010). Solutions offerings: a critical review and reconceptualisation. *Journal of Service Management, 21*(4), 441-459.

Pae, J. H., Kim, N., Han, J. K., & Yip, L. (2002). Managing intraorganizational diffusion of innovations: Impact of buying center dynamics and environments. *Industrial Marketing Management, 31*(8), 719-726.

Parry, S., Rowley, J., Jones, R., & Kupiec-Teahan, B. (2012). Customer-perceived value in business-to-business relationships: A study of software customers. *Journal of Marketing Management, 28*(7-8), 887-911.

Prior, D. D. (2013). Supplier representative activities and customer perceived value in complex industrial solutions. *Industrial Marketing Management, 42*(8), 1192-1201.

Ravald, A., & Grönroos, C. (1996). The value concept and relationship marketing. *European Journal of Marketing, 30*(2), 19-30.

Rogers, E. M. (1995). *Diffusion of innovations* (4 ed.). New York: The Free Press.

Rust, R. T., & Cooil, B. (1994). Reliability measures for qualitative data: Theory and implications. *Journal of Marketing Research*, 1-14.

Schurr, P. H., & Ozanne, J. L. (1985). Influences on exchange processes: buyers' preconceptions of a seller's trustworthiness and bargaining toughness. *Journal of Consumer Research, 11*(4), 939-953.

Selviaridis, K., Agndal, H., & Axelsson, B. (2011). Business services ‘in the making’:(De) Stabilisation of service definitions during the sourcing process. *Journal of Purchasing and Supply Management, 17*(2), 73-86.

Shankar, V., Berry, L. L., & Dotzel, T. (2007). *Creating and managing hybrid innovations.* Paper presented at the Presentation at AMA Winter Educators’ Conference, San Diego, CA.

Stone, R. N., & Grønhaug, K. (1993). Perceived risk: further considerations for the marketing discipline. *European Journal of Marketing, 27*(3), 39-50.

Taylor, J. W. (1974). The role of risk in consumer behavior. *The Journal of Marketing, 21*, 54-60.

Tuli, K. R., Kohli, A. K., & Bharadwaj, S. G. (2007). Rethinking customer solutions: from product bundles to relational processes. *Journal of Marketing, 71*, 1-17.

Ulaga, W., & Chacour, S. (2001). Measuring customer-perceived value in business markets: a prerequisite for marketing strategy development and implementation. *Industrial Marketing Management, 30*(6), 525-540.

Ulaga, W., & Eggert, A. (2006). Value-based differentiation in business relationships: Gaining and sustaining key supplier status. *Journal of Marketing, 70*(1), 119-136.

Ulaga, W., & Reinartz, W. (2011). Hybrid offerings: how manufacturing firms combine goods and services successfully. *Journal of Marketing, 75*(6), 5-23.

van Riel, A. C., Calabretta, G., Driessen, P. H., Hillebrand, B., Humphreys, A., Krafft, M., & Beckers, S. F. (2013). Consumer perceptions of service constellations: implications for service innovation. *Journal of Service Management, 24*(3), 314-329.

van Riel, A. C., Liljander, V., Semeijn, J., & Polsa, P. (2011). EU deregulation and dealer-supplier relations in automotive distribution. *Journal of Business & Industrial Marketing, 26*(2), 115-131.

Vargo, S. L., & Lusch, R. F. (2004). Evolving to a new dominant logic for marketing. *Journal of Marketing, 68*, 1-17.

Building the Exchange process: The antecedents of operational exchange in collaborative business-to business-relationships

Mark A. Toon*, Robert E. Morgan*, and Matthew J. Robson **

* Cardiff Business School, Cardiff University, Cardiff, UK
** Leeds University Business School, University of Leeds, Leeds, UK

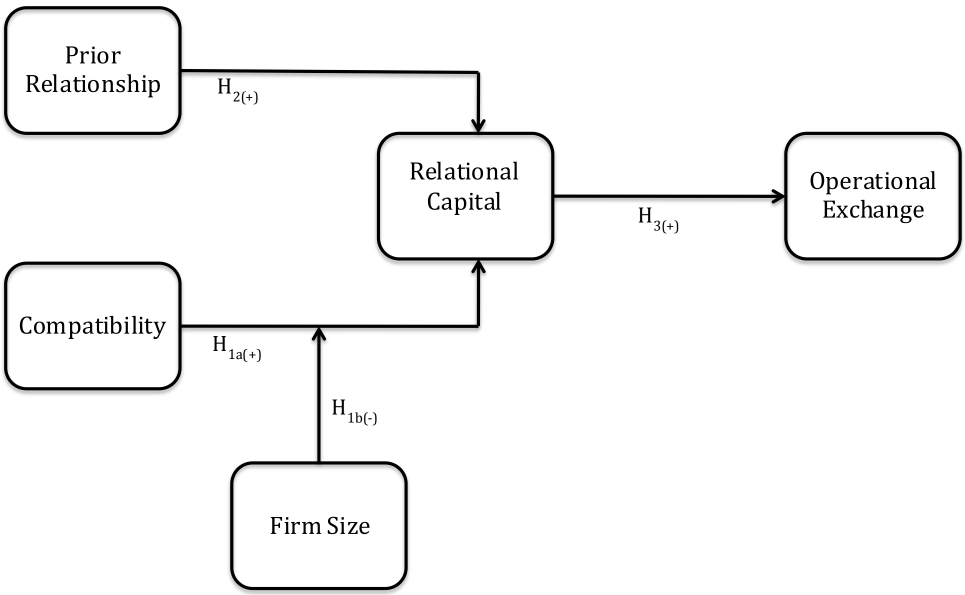
Attention in the alliance literature has developed from a focus on strategic alliances and joint ventures to a broader focus including marketing based alliances such as co-marketing, co-development (Crespin-Mazet and Ghauri, 2007). In doing so the empirical literature has followed the tide of practitioner activity that has flowed from manufacturing and associated rigid structures, to a greater emphasis on service and alliance roles that are typically less pre-defined. This brings with it a general emphasis on short-term task-specific interactions between firms. These are, by their nature, characteristically collaborative and frequently non-equity arrangements. In these contexts strategy can be emergent and outcome measures uncertain at the outset, with the result that the process of exchange usurps discrete performance outcomes as a true measure of efficacy.

Clear understanding of this process of exchange and the antecedent conditions responsible for effective exchange is much needed yet lacks proper attention and clear explanation in the literature. Explanation is commonly couched in a buyer – seller dyadic context with a transaction costs emphasis (Heide, 2003, Parkhe, 1993, Subramani and Venkatraman, 2003, Williamson, 1985, Yilmaz and Kabadayi 2006), and where relational perspectives are explored this is frequently an extension of transaction costs logic with attention to 'transaction costs, [ ] and high asset specificity' (Bunduchi 2008). Attention is also given to interdependencies between partner firms (Bunduchi 2008) and information exchange (Sobrero and Schrader 1998) but these are frequently set out as explanations of forbearance under conditions of uncertainty further demonstrating a transaction costs perspective. A fuller explanation of successful collaborative exchange requires a departure from this logic towards one in which the nature of exchange will be knowledge-based rather than property-based (Hoetker and Mellewigt, 2009), one which can facilitate an understanding of the antecedent conditions of this 'intensive and reactive rhythm' (Crespin-Mazet and Ghauri 2007) and one that responds to calls for research in the understanding of the development of these exchange norms (Palmatier 2007).

The present study addresses the co-creation process, which we term operational exchange. This addresses the shortcomings of summative outcome measures by considering process-based objectives. Process-based objectives can incorporate problem solving in co-development scenarios (Crespin-Mazet and Ghauri, 2007) and examples of co-production (Novak and Stern 2009). Subsets of operational objectives are developed throughout the collaborative process and the successful attainment of these objectives facilitates on going operational exchange. Measurement of this operational exchange process is centred on soft factors including information exchange and adaptation of aspects of the process (Sobrero and Schrader 1998). The antecedent conditions necessary for successful operational exchange receive little attention in the literature.

We outline a direct antecedent condition for operational exchange as relational capital, hypothesising that relational capital leads to operational exchange. We further outline the antecedent conditions for relational capital in this collaborative exchange process as prior relationship and compatibility. Prior relationships between alliance partners will contribute increased relational capital and we hypothesise that prior relationships lead to relational capital. The development of relational capital may also be regarded as a product of compatibility among partner firms and we hypothesise that compatibility among management systems and philosophies will lead to relational capital. We also consider that this is of greater importance in smaller firms than in larger ones and so we hypothesise a negative moderating impact of the relationship between compatibility and relational capital of firm size.

Conceptual Model



Results

Non-equity collaborative alliances were taken from the UK construction industry and analysed through Structural Equation Modelling using AMOS software. The measurement model was assessed for reliability using construct reliability and Cronbach's coefficient alpha with both measures giving values above .70 (Nunnally 1978). Convergent validity is demonstrated through confirmatory factor loadings > .50 for each item on its respective construct, and average variance extracted values for each construct above >.50 (Fornell & Larcker 1981). The confirmatory factor analysis showed that the proposed factor model had a good fit to the data with CFI and NNFI values above 0.90, and a RMSEA value indicating an acceptable fit (Byrne 2001), $\chi^2_{(46)}$=83.773, p=0.000, CFI=0.96, NNFI=0.96, RMSEA=0.07.

The results give support for the hypothesised relationship between relationship capital and operational exchange. Additionally the hypotheses between prior relational and relational capital and between compatibility among partner firms and relational capital are also supported. The negative moderating effect of firm size on the relationship between compatibility and relational capital is supported indicating that this relationship is stronger in the case of small firms. These variables form the antecedent conditions for successful operational exchange between partners which is presented as the outcome variable in this study. The study contributes to understanding of the function of operational exchange as an on going reciprocal process by clarifying the distinction between this and a discrete transaction perspective of exchange. A further contribution of the study is the identification of firm size as a negative moderator of compatibility on relational capital. In larger firms the function of compatibility in this antecedent arrangement is muted and this effect is explored in the study.

Managerial implications abound, however specific deliverable messages centre on the importance of relationship capital in facilitating a barrier-free exchange of valuable information as an on going feature of a successful alliance exchange process. Prior close relationships across social contexts aid the development of relational capital. A desire for fairness and transparency may lead decision makers to under value existing social relationships in professional contexts, however social capital aids the exchange process in collaborative business to business alliances and there are benefits in acknowledging and accommodating this. Compatibility is central to avoiding negative influences on the development of relationship capital. Commonly held as a pre requisite among alliance partners this is less variable among larger firms and remains a particular area for attention in smaller firms.

Bibliography

Bunduchi, R (2008), “Trust, power and transaction costs in B2B exchanges – A socio-economic approach”, Industrial Marketing Management, Vol. 37 No. 5, pp. 610-622.

Crespin-Mazet, F and Ghauri, P (2007) “Co-development as a marketing strategy in the construction industry”, Industrial Marketing Management, Vol. 36 No. 2, pp. 158-172.

Fornell, C., & Larcker, D. F. (1981). Structural equation models with unobserved variables and measurement error: algebra and statistics. Journal of Marketing Research, 18(3), 382-388.

Heide, J (2003), “Plural governance in industrial purchasing”, Journal of Marketing, Vol. 67 No. 4, pp. 18-29.

Hoetker, G and Mellewigt, T (2009) “Choice and performance of governance mechanisms: Matching alliance governance to asset type”, Strategic Management Journal, Vol. 30 No. 10, pp. 1025-1044.

Novak, S. and Stern, S. (2009) “Complementarity among vertical integration decisions: evidence from automobile product development.” Management Science, 55(2), 311-332.

Nunnally, J. C. (1978) Psychometric Theory. New York: McGraw-Hill.

Palmatier, R., Dant, R. & Grewal, D. (2007) “A comparative longitudinal analysis of theoretical perspectives of interorganizational relationship performance”, Journal of Marketing, Vol. 71 No. 10, pp.172-194.

Parkhe, A. (1993), “Strategic alliance structuring: A game theoretic and transaction cost examination of interfirm cooperation”, Academy of Management Journal, Vol. 36 No. 4, pp.794-829.

Sobrero, M., & Schrader, S. (1998). Structuring inter-firm relationships: a meta-analytic approach. Organization Studies, 19(4), 585-615.

Subramani, M R, and Venkatraman, N (2003) “Safeguarding investments in asymmetric interorganizational relationships: Theory and evidence”, Academy of Management Journal, Vol. 46 No. 1, pp. 46-62.

Williamson, O E (1975) Markets and Hierarchies: Analysis and Antitrust Implications Free Press: New York.

Yilmaz, C and Kabadayi, E T (2006) “The role of monitoring in interfirm exchange: Effects on partner unilateral cooperation”, Journal of Business Research, Vol. 59 No. 12, pp. 1231-1238.

Identifying the right solution customers: a managerial approach

Katharina Windler*, Uta Jüttner*, Stefan Michel**, Stan Maklan***

*Cranfield School of Management, Cranfield, Bedford MK43 0AL, England; Lucerne Business School, Zentralstrasse 9, 6002, Luzern, Switzerland
**IMD, Chemin de Bellerive 23, P.O. Box 915, CH-1001 Lausanne, Switzerland
***Cranfield School of Management, Cranfield, Bedford MK43 0AL, England

1. Introduction

Offering solutions is an increasingly popular strategy in business-to-business markets. Companies such as Caterpillar, IBM and Rolls Royce are examples of companies that have transitioned from selling stand-alone products to selling solutions successfully. Rolls-Royce Aerospace, for example, offers their airline customers an alternate to the outright purchase of their aero engines. Instead, airlines can pay for 'engine by hour of flight' whilst allowing Rolls-Royce to manage the maintenance of the engine remotely 24/7 during flight. This contributes to a smooth operation of the airlines' flight schedules and increases aircraft availability. Following Ulaga and Reinartz (2011), we define a business solution as an offering supporting the customer's processes; its value proposition relates to achieving a result.

Business solutions can not only reduce risk, cost and complexity for the customer, but successful suppliers can increase their own profit by up to 25 % versus merely selling products (Roegener, 2001). Yet, the transition from offering products to solutions represents a major strategic change that generates incremental profit only when the firm reaches a critical mass of integrated service sales (Fang et al., 2008). Much of our marketing theory and practice, however, has been developed in the context of selling stand-alone products and services rather than in complex solutions. We posit that due to their interactive and process-driven nature, marketing and selling strategies

for solutions differ from traditional product or service-focused approaches. So far, the literature has considered the pricing implications of solutions and stressed that many traditional pricing approaches do not work (Bonnemeier et al., 2010). Moreover, a range of studies have investigated how solutions affect suppliers' selling approaches (Bonney and Williams, 2009; Le Meunier-FitzHugh et al., 2011; Sharma et al., 2008; Storbacka et al., 2011). Finally, the lifecycle or rather development cycle of solutions and its resultant supplier capabilities and management practices has been researched by a number of studies (Brady et al., 2005; Storbacka, 2011; Tuli et al., 2007; Ulaga and Reinartz, 2011). Still, to date, segmenting and targeting solution customers as one of the key strategic marketing tasks, has received scarce attention. Since the value proposition for solutions is different from product or service value propositions, it can be assumed that the customers attracted are also different. Furthermore, since solutions lead to higher dependency and interconnectedness between supplier and customers (Tuli et al., 2007), the number of customers willing to enter solution relationships is likely to be small. From the supplier perspective, solutions often require relationship-specific investments (Miller et al., 2002) and the transaction specificity should equally trigger thorough customer evaluations based on solution-specific criteria. The purpose of this paper is to address this gap and investigate how suppliers can evaluate, segment and identify solution customers. The objectives are firstly, to derive a set of solution customer segmentation criteria from the extant literature; secondly, to refine, specify and differentiate these criteria empirically; and thirdly, to initially validate the criteria via the development of a managerial tool .
The rest of the paper is structured into five sections: Firstly, we present a literature review that identifies criteria for solution customers drawing on scholarship from key account selection, relationship marketing, customer integration into innovation

processes and business solutions. Secondly, we present the methodology, an interaction research approach (Gummesson, 2002) consisting of two parts. The first part comprises semi-structured interviews with 23 managers of international solution providing companies to refine, specify and differentiate the literature-derived insights. The second part translates the refined criteria into a managerial tool which was applied in four companies with the aim of achieving an initial validation. Thirdly, we present the findings. The final set of solution customer selection criteria comprises 22 criteria relating to the past customer-supplier relationship and the potential of the customer as a future solution partner. Fourthly, we conclude the paper by outlining managerial and theoretical implications.

2. Literature Review

In order to identify evaluation criteria for segmenting solution customers, not only the literature on business solutions, but also the related fields of key account selection, relationship marketing and customer integration into innovation processes have been considered. The criteria we derived from the literature can be structured into seven areas: Customer paying and investment behaviour, supplier contacts within the customer organisation, customer attitude towards the business relationship, customer competency as a value co-creator, customer attitude towards joint innovation with the supplier, customer industry and solution replication potential (cf. Table 1). In the following, we will elaborate on them in more detail.

Customer paying and investment behaviour

One financial consideration for suitable solution customers relates to customer's payment practice of paying on time without having to be chased for the payment. This creates a satisfactory exchange performance for the supplier (Han et al., 1993).

Another financial aspect relates to the customer being both able and willing to invest sufficient funds in the relationship to ensure an economically viable relationship development (Campbell and Cunningham, 1983; Everhartz et al., 2014; Ojasalo, 2001). High up-front investments on behalf of the supplier stress the need for secure returns and hence customer payment reliability.

Table 1: Overview of literature indicating solution customer selection criteria

Criteria	Literature source
Customer paying and investment behaviour	
- Customer's payment record	Han et al. (1993)
- Customer's investment readiness and ability	Campbell and Cunningham (1983), Ojasalo (2001), Everhartz et al. (2014)
Supplier contacts within the customer organisation	
- Contacts to users, buyers and payers in the customer organisation	Michel et al. (2008), Kindström and Kowalkowski (2014), Ojasalo (2001), Macdonald et al. (2011), Chakkol et al. (2014), Ulaga and Reinartz (2011)
- Contacts to actors at the top of the corporate hierarchy	Ulaga and Reinartz (2011)
- Access to customer informal "grapevine" information	Tuli et al. (2007), Kindström and Kowalkowki (2014), Üstüner and Godes (2006)
Customer attitude towards the business relationship	
- Time horizon of the customer-supplier relationship (long-term vs. short term)	Gosselin and Bauwen (2006), Campbell and Cunningham (1983), Ojasalo (2001), Heide and John (1992), Napolitano (1997)
- Focus of the customer-supplier relationship (Total Cost of Ownership (TCO) vs. purchasing price)	Ojasalo (2001), Ellram and Siferd (1998)
- Customer's level of commitment to the customer-supplier relationship	Ojasalo (2001), Heide and John (1992)
- Customer's readiness to be dependent on the supplier regarding assets	Windahl and Lakemond (2010), Heide and John (1992)
- Customer's readiness to be dependent on the supplier regarding processes	Brady et al. (2005), Doster and Roegner (2000), Windahl and Lakemond (2006), Heide and John (1992), Napolitano (1997)
- Customer's readiness to be dependent on the supplier regarding know-how	Heide and John (1992)
- Customer's readiness to share operational business knowledge with the supplier	Tuli et al. (2007), Kindström and Kowalkowski (2014), Walter (1999), Gounaris and Tzempelikos (2014)
- Customer's preparedness to share strategic business knowledge with the supplier	Tuli et al. (2007), Matthyssens and Vandenbempt (2008), Walter (1999)
Customer competency as a value co-creator	
- Customer's process competency in the cooperation	Michel et al. (2008), Nicolajsen and Scupola (2011)
- Customer's development expertise in the cooperation	Michel et al. (2008), Nicolajsen and Scupola (2011)
Customer attitude towards joint innovation with the supplier	
- Customer's openness towards product innovation together with the supplier	Mele (2009), Napolitano (1997)
- Customer's openness towards service innovation together with the supplier	Mele (2009), Mota Pedrosa (2012), Napolitano (1997)
- Customer's openness towards process innovation together with the supplier	Mele (2009), Mota Pedrosa (2012)
Customer industry	
- Strategic importance of the customer industry	Gomez-Arias and Montermoso (2007), Miller et al. (2002)
Solution replication potential	
- Replication potential of the solution which will be developed in the customer-supplier relationship	Storbacka (2011), Miller et al. (2002), Ulaga and Reinartz (2011), Brax and Jonsson (2009), Davies et al. (2006), Galbraith (2002), Salonen (2011), Tuli et al. (2007)

Supplier contacts within the customer organisation

In contrast to goods sales, business solutions offerings tend not to follow customer specifications and are seldom well defined from the beginning. Rather, they call for strong customer involvement and co-creation to elaborate the offering (Ulaga and Reinartz, 2011). Also, their implementation is likely to affect different actors within the customer organisation in different ways and some may profit more from the solution than others (Macdonald et al., 2011). Therefore, the supplier should have contacts to buyers, users and payers of the solution (Michel et al., 2008) to be able to learn about their individual needs and requirements and to "develop the right argument for the right person" (Ulaga and Reinartz, 2011, p. 13). Contacts to actors at the top management level are crucial too since these actors tend to see the potential gains from solutions more readily (Ulaga and Reinartz, 2011). In addition, even if the supplier could potentially offer a solution with high value to the customer, the customer's political landscape might obstruct the deal. Therefore, the supplier contacts within the customer organisation should enable the supplier to access the customer's informal "grapevine" information relevant for the cooperation (Kindström and Kowalkowski, 2014; Tuli et al., 2007). This will enable the supplier to understand customer requirements in a more complete and nuanced way and address the concerns of the various stakeholders.

Customer attitude towards the business relationship

The relational paradigm assumes that mutual interdependence, long-term orientation and cooperation leads to higher value creation than self-interest and independence (Webster, 1992). Since business solutions comprise relational processes (Tuli et al., 2007), the customer should clearly have a long-term orientation towards the business relationship (c.f. e.g. Gosselin and Bauwen, 2006). In a similar vein, it is important that the customer demonstrates commitment towards the relationship (Heide and John, 1992; Ojasalo, 2001). In addition, the customer should apply the concept of total cost of ownership (TCO) in their purchasing decisions rather than focus on the purchasing price (Ellram and Siferd, 1998). Solution offerings tend to target a decline in TCO, but are likely to cost a price premium compared to stand-alone products or services (Bonnemeier et al., 2010). This solution reward also comes with a price for the customer: higher exit barriers and increased dependence on the supplier (Davies et al., 2006). Therefore, the customer should be prepared to be dependent on the supplier regarding assets (Windahl and Lakemond, 2006), processes (Brady et al., 2005) and know-how (Heide and John, 1992), subject to the nature of the solution offering. Finally, to enable the supplier to provide a solution that supports the customer's strategy and operations well, the customer should be prepared to share strategic and operational business knowledge relevant to the cooperation with the supplier (Tuli et al., 2007; Walter, 1999).

Customer competency as a value co-creator

Since business solutions are co-created in interactive processes (Evanschitzky et al., 2011; Nordin and Kowalkowski, 2010), the customer's competency as a value co-creator is crucial for the solution development and its ongoing operations. In particular, the customer should possess development expertise and process competency in the processes relevant to the cooperation (Michel et al., 2008; Nicolajsen and Scupola, 2011).

Customer attitude towards joint innovation with the supplier

Solutions may comprise product, service and process innovations. Therefore, to develop new solutions and adjust existing ones, customers should be open towards product, service and process innovations together with the supplier (Mele, 2009; Mota Pedrosa, 2012; Napolitano, 1997).

Customer industry

Since offering solutions is a strategic choice for suppliers, they should be developed with customers from strategic industries and markets. Strategically important industries for solution offerings may be different from that for stand-alone product or service offerings (Foote et al., 2001). They should be defined according to the most significant value creation potential of the solution (Gomez-Arias and Montermoso, 2007; Miller et al., 2002).

Solution replication potential

The importance of the replicabiliy of business solutions is widely acknowledged in the literature. The aim of a successful business solution provider should be to achieve ‘economies of repetition’ (Brax and Jonsson, 2009; Galbraith, 2002; Salonen, 2011). The replication potential of the solution which will be developed in the customer-supplier relationship should therefore be high.

3. Methodology

The criteria selected from the literature were revised, further developed and initially validated through field-based research. We applied an interaction research approach (Gummesson, 2002), assuming that "interaction and communication play a crucial role" in the research process and that testing concepts, ideas, and findings through interaction with different target groups is "an integral part of the whole research process" (Gummesson, 2002, p. 345). We proceeded in a two-stage process. Firstly, we conducted semi-structured interviews with senior managers from 23 international solution providers of different sizes and industries (cf. Table 2). The interviews lasted 60 minutes on average and were transcribed verbatim.

Table 2: Overview of interviewees

	Company's solution offering	**Country[a]**	**Size[b]**	**Interviewee's corporate function**
1	Factory automation solutions	**Germany**	Mid-sized	Head of corporate solution centre
2	Energy performance contracting	Switzerland	Big	Head of energy services
3	Electricity and heat solutions	Switzerland / USA	Big	Manager Customer Services
4	Drive and control solutions	**Germany**	Big	Head of Business Development
5	Biotechnology solutions	**Denmark**	Mid-sized	Global Launch Manager
6	Car rental solutions	Great Britain	Big	Senior Finance Partner
7	Automotive body shop solutions	**Netherlands**	Big	Project Director
8	Chemical solutions	Switzerland	Big	Business Manager Solvents Europe
9	Retailer and barista solutions	Switzerland	Mid-sized	Country Manager
10	VMI consultancy solutions	**Netherlands**	Mid-sized	Member of the Board of Directors
11	Logistics solutions	**Switzerland**	Mid-sized	CEO
12	Lighting and illumination solutions	**Denmark**	Mid-sized	CEO
13	Food / freshwater fish solutions	**Brazil**	Small	CEO
14	Healthcare solutions	Great Britain	Big	Vice President Global Logistics
15	Space branding solutions	**Hong Kong**	Mid-sized	CEO
16	C-part management solutions	**Switzerland**	Mid-sized	VP Global Key Accounts & Global Lean Solutions
17	Integrated security solutions	**Switzerland**	Mid-sized	Senior Marketing Manager
18	Content management solutions	Switzerland	Mid-sized	VP SAP Solutions Group
19	IT solutions	**Switzerland**	Small	CEO
20	IT, consulting and financing	Switzerland	Big	Managing Director
21	Power generation solutions	**Switzerland**	Mid-sized	Head of strategic sales projects
22	Consulting solutions	**Brazil**	Small	CEO
23	Camera solutions	Germany	Big	Marketing Director Europe

a Bold marked country names = headquarters; otherwise subsidiary
b Small ≤ 50 employees; mid-sized 51-5,000 employees; big > 5,000 employees

The purpose of the interviews with the managers involved in solution projects was to help us refine, specify and differentiate the literature-derived criteria. As a leading framework for the interview, we used a set of structured questions. They were followed up by asking for clarifications, examples and further details on possibly interesting thoughts. The questions related to the description of 'ideal' solution customer profiles, their rationale, and to positive and negative experiences with customers in solution projects. Data analysis followed a template analysis approach (King, 2004). The literature-derived criteria formed the initial coding scheme. During the course of the analysis, the scheme evolved further, including refinements and amendments of criteria. Individual criteria were considered as confirmed and additional criteria were added when multiple interviewees mentioned them (cf. Tuli et al., 2007; Ulaga and Reinartz, 2011). The data indicated that the degree of importance of the individual criteria differed for different managers. Therefore, we conducted an additional analysis to identify those criteria that were considered especially important. We developed two categories of criteria: firstly, the criteria which were emphasised as especially important by more than 50 % of the interviewees were categorised as very important; secondly, the criteria which were mentioned by more than one third of the interviewees were categorised as important. Criteria which were mentioned by one third or less were dropped.

Secondly, in order to initially validate these findings, we translated them into a managerial tool. We developed an MS Excel-based file which contains guidance on how to assess customers along the criteria as well as a portfolio resulting from the application. The tool was used in a second sample comprising four companies which are currently developing solution innovations: consulting solutions, global logistics and engineering consulting solutions, logistics solutions and global precision instrument solutions. None of these companies took part in the interviews of the first phase. Within the application in the four companies, the target was to identify at least two customers who were suitable as partners for the development of those solutions which the suppliers were planning to develop. Due to resource constraints, not all customers were assessed with the tool but only a pre-selection of 21 customers altogether proposed by the sales and key account directors/managers. After the companies had applied the tool and provided us with a structured written feedback on its usefulness, we conducted a workshop in each company to discuss the results. In each company, at least two people involved in the tool application took part. The main aim was to identify weaknesses, potentials for improvement and strategy implications resulting from the customer evaluations. All suggestions for improvement were included in the results.

4. Findings

Specification of the customer selection criteria

The managers confirmed 17 of the 20 literature-derived criteria and suggested four additional criteria. Three literature-derived criteria were not confirmed: the customer's payment record, their level of commitment to the customer-supplier relationship, and the supplier's access to customer informal "grapevine" information. Four new criteria advanced from the conversations with the managers: They emphasised that suitable solution customers should be prepared to accept the supplier as a business consultant since this will have the effect that the customer will share their business problems and difficulties, but also their knowledge and expertise more readily. As one manger of C-part management solutions explained: *"When developing our offering, whenever possible we really try to visit the customer's premises, we look at their procurement and production processes, talk to different stakeholders etc. And to get access to the real pain points of the customer these people have to appreciate us as some kind of external advisers whom they can trust, not hard sellers."* The customer's initiative in further developing the cooperation towards a solution venture was found relevant, too. The managers posited that the more the customer is motivated to develop a solution, the more time and effort they will invest. One manager of IT solutions elaborated: *"[…] and this team [of the customer firm] was so dedicated to the development [of the offering]. It just made the processes so much* *smoother […] in contrast to the sluggish cooperation with the demotivated bunch we encountered in another firm."* The managers also pointed out that it is beneficial when the customer faces pressure in two areas to create a sense of urgency. One area relates to the need to save costs and resources within the business area(s) which the supplier solution targets. A manger of healthcare solutions highlighted: *"[…], but when they [the customer] do not have these savings targets, they don't see the need to consider our offering. Their thinking is like why should they change their process if what they have works well enough and money doesn't play a role."* A second one pertains to the pressure of developing new business opportunities which are supported by the supplier solution. In the words of a manager of biotechnology solutions: *"We have a situation of perfect match when the customer's environment is so competitive that they just have no choice but develop their business in this direction."*

Moreover, the managers emphasised that not all customers with whom collaborative product or service-centred relationships have been maintained in the past, also qualify as future solution candidates. Nevertheless, they confirmed that the past relationship quality can be a foundation for future relationship development in the solution realm. Furthermore, new customers with whom little past experience exists can equally be interesting for joint solution development processes. In order to adopt this practitioner feedback and experience, we structured the criteria into two dimensions: Firstly, the dimension on the quality of the relationship between supplier and customer to date and secondly, the dimension on the potential as a future solution partner. In line with the managers' statements, the criteria allocated to the past relationship quality are those that might allow drawing inferences from the past relationship quality to the potential as future solution candidates. The criteria allocated to the dimension on the potential as future solution partners exclusively relate to the customers' profile and qualification in the solution realm. We adjusted the wording of the criteria so that they clearly reflect either the past or future perspective. One criterion, i.e. access to buyers, payers and users was established as relevant for both perspectives.

As mentioned above, the degree of importance of the individual criteria differed for different managers. For example, a manager of VMI consulting solutions found the criterion 'prospective ease of access to actors at the top of the corporate hierarchy' very important: *"Our solutions require the customer to change or adjust their processes to a major extent. […] It is crucial that this change is supported top-down. To get the support to fully enforce this change we need to talk to the C-level."* In contrast, a manager of camera solutions acknowledged the relevance of the criterion, but did not consider it as decisive: *"Well, having a chat with the top bosses is of course relevant, there's no doubt that selling our VP [value proposition] to them rather than to the juniors is easier. They simply have more vision. […] Yet, sometimes you're just not lucky enough to have these busy people taking the time for you."* The data indicated that the assessment of the criteria's importance related to the managers' corporate or business unit strategies. For example, a manager of automotive body shop solutions related the importance of the replication potential of the solution to his business unit's strategy: *"Our solutions must be scalable. We are not in the project business. That's defined in our strategy."* The criteria which were categorised as very important by more than 50 % of the managers were:

- Time horizon of the customer-supplier relationship to date (long-term vs. short-term)
- Customer's prospective readiness to share operational business knowledge with the supplier relevant for the cooperation
- Prospective ease to establish new ties with future buyers, payers and users

- Replication potential of the solution which will be developed in the customer-supplier relationship.

To sum up the findings of the research's first empirical phase, an overview of all solution customer section criteria is provided in Table 3 and Table 4.

Table 3: Criteria for quality of the relationship between supplier and customer to date

Customer attitude towards joint innovation with the supplier
▪ Customer's openness towards product innovation together with the supplier to date
▪ Customer's openness towards service innovation together with the supplier to date
▪ Customer's openness towards process innovation together with the supplier to date
Existing contacts
▪ Supplier's existing contacts to users, buyers and payers in the customer organisation
Evidence of a strategic perspective within the customer-supplier relationship
▪ Time horizon of the customer-supplier relationship to date (long-term vs. short-term)
▪ Focus of the customer-supplier relationship to date (Total cost of ownership (TCO) vs. purchasing price)
Customer's competency as a "value co-creator"
▪ Customer's process competency in the processes relevant to the cooperation to date
▪ Customer's development expertise in the cooperation to date

Table 4: Criteria for customer potential as future solution partner

Financial aspect
▪ Customer's prospective readiness and ability to invest in an extension of the cooperation
Customer attitude towards the future relationship development
▪ Customer's prospective readiness to be dependent on the supplier regarding assets
▪ Customer's prospective readiness to be dependent on the supplier regarding processes
▪ Customer's prospective readiness to be dependent on the supplier regarding know-how
▪ Customer's prospective readiness to share operational business knowledge with the supplier relevant for the cooperation
▪ Customer's prospective preparedness to share strategic business knowledge with the supplier relevant for the cooperation
▪ Customer's prospective preparedness to accept the supplier in the role of a business consultant.
▪ Customer's prospective initiative in further developing the cooperation

Future contacts
- Prospective ease to establish new ties with future buyers, payers and users
- Prospective ease of access to actors at the top of the corporate hierarchy

Customer's degree of pressure to change
- Customer's prospective pressure to save costs and resources within the business area(s) which the supplier solution targets
- Customer's prospective pressure to develop new business opportunities which are supported by the supplier solution

Solution replication potential
- Replication potential of the solution which will be developed in the customer-supplier relationship

Customer's industry
- Strategic importance of the customer industry for the supplier

Initial validation of the customer selection criteria

The managerial tool which we developed to initially validate the findings is an MS Excel-based file containing guidance on how to assess customers along the criteria as well as a portfolio resulting from the application. The tool consists of two scoring models; one model comprises the criteria of the perspectives on the past relationship and the other the criteria of the potential future solution partnership. By combining the two perspectives in a portfolio, four customer categories are established (see Figure 1).

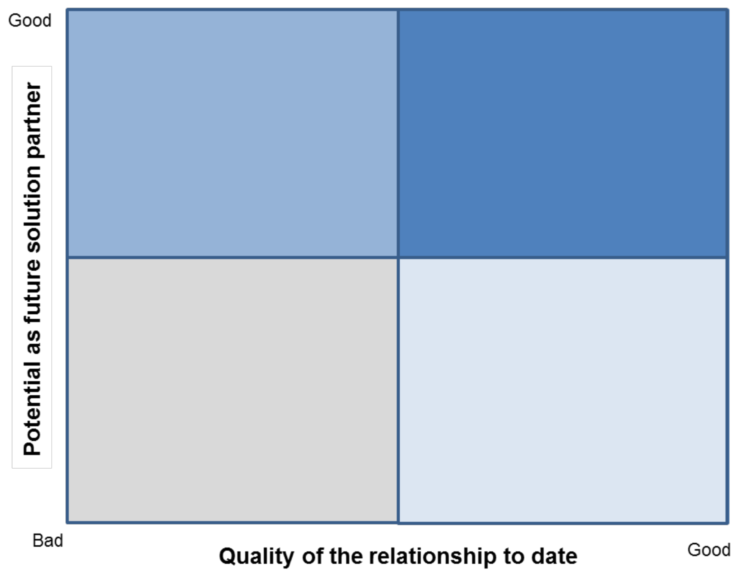


Figure 1: Initial solution customer portfolio

To identify the position of a customer in the portfolio they are rated against the selection criteria after the criteria were given a weight. The positioning results from adding the weighted scores. With the attachment of a weighting of the criteria we accommodate the finding that the interviewed individual managers ascribed varying degrees of importance to the different criteria. In the usage of the tool, firstly, weights are given from 1 (relevant but not important) to 6 (very important) to determine each criterion's importance. In accordance with the previous finding that the criteria's importance relates to the supplier's corporate or business unit strategy, the weighting is derived from the strategy and remains the same for the evaluation of all customers of one solution provider. Even though the data indicated that there are universally important criteria for different kind of solution providers, due to the small sample size, we did not set weights in advance, but ceded it to the strategic decision makers within the companies (e.g. general manager, business development manager). After the criteria are weighted, the customers are rated against the criteria on a scale from 1 (bad) to 5 (good). To support the ease of rating, we labelled the scale's poles and the middle points. We highlighted that if a criterion is of no relevance, no weighting and rating should be done. The customer suitability rating was done by the employees possessing the highest customer knowledge, all being in the sales department.

The application confirmed that the weighting of the criteria, and thus the degree of importance of the criteria, was different depending on the corporate or business unit strategy but also depending on the supplier industry and thus the type of solution offering. This implies that weighing the criteria should clearly be part of the company assessment. Furthermore, the discussion with the managers on the results of the assessment led to the conclusion that both the dimensions and the criteria are relevant and valid. When discussing the positioning of the customers in the portfolio and the resultant customer-specific strategic decisions, two feedbacks led to a further development of the tool. On the one hand, a change in the sizes of the four customer categories was proposed compared to our initial suggestion (cf. Figure 1and Figure 2). This resulted from the managers' argument that the customer category in the top right quadrant, the customers anticipated as most suitable solution partners, should have a higher than average assessment regarding both the quality of the cooperation to date and the potential as future solution partner. On the other hand, the managers suggested that the customer categories should be addressed within two subsequent phases, i.e. solution development and solution replication (see Figure 2). This was realised because the managers agreed that a good assessment of the potential as future solution partner is more decisive for the suitability of the customer for the solution development than a good assessment of the past relationship quality.

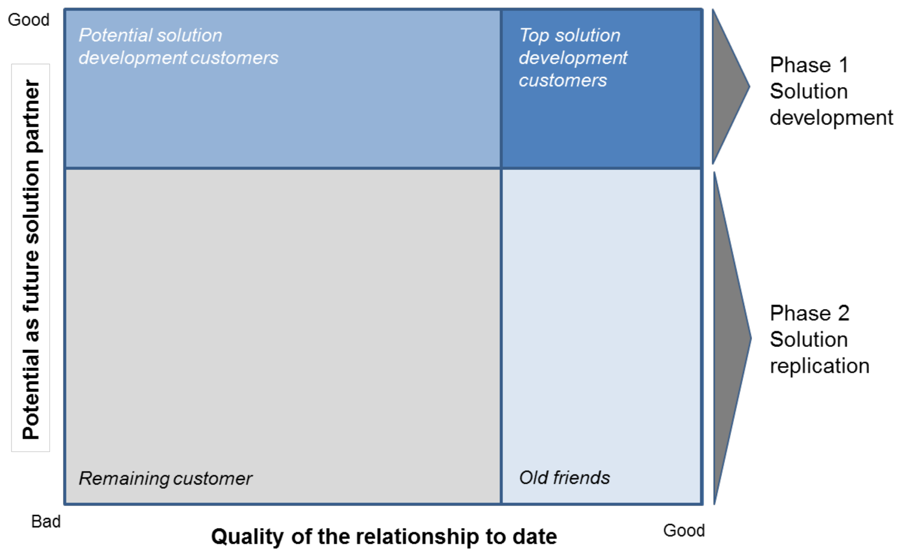


Figure 2: Validated solution customer portfolio

5. Conclusion

Since solution relationships differ from product- or service-oriented relationships, the right selection of relationship partners is crucial. To the best of our knowledge the literature lacked criteria to select suitable solution targets. Therefore, we derived a set of criteria for solution customer selection from the literature and field-based research. In addition, we provided an initial validation of the criteria by means of the development of a customer selection tool.

Managerial implications

Solution providers and companies that are transitioning from selling stand-alone products or services to selling solutions can use the criteria to evaluate and select suitable solution customers. Different customers will meet the criteria to different degrees. We elaborate on the implications of the varying degrees of meeting the criteria by means of the solution customer portfolio categories. The four customer categories of the portfolio have different characteristics, resulting in different strategy implications. The customers positioned in the top right corner of the solution customer portfolio have a good record regarding the quality of the customer-supplier relationship to date and a good potential as a future solution development partners. Even though some criteria might not be fully met, they are not considered as severe as to question the customers' high solution partner potential. Therefore, those areas of cooperation which show potential for improvement should be addressed. Otherwise, the supplier can strive for joint solution development with this customer in the initial development phase. Customers who can also be addressed in the initial development phase are the customers in the top left quadrant. The development potential of these customers is good, too. Due to the mediocre assessment of the quality of the relationship to date, suppliers should still be careful. Pitfalls of the past cooperation should be discussed with the customer und avoided in the future cooperation in the solution realm.

The category ‘old friends’ which is at the bottom right in the portfolio comprises all those customers with whom the supplier has been having a good relationship, but whose potential as future solution development partners is less promising. This may be caused, for example, by a missing preparedness to become more dependent on the supplier and further developing the cooperation with the supplier. From a strategic point of view, it is recommendable to include ‘old friends’ only in a second phase as solution targets. An early involvement of these customers might harbour the risk that the good relationship quality to date might be threatened. For solutions which are already introduced there should be good business cases and difficulties from the first development phase should be overcome. The solution replication in customer categories with higher skepticism can be supported by solution scaling so that less comprehensive product-service bundle offerings can be offered too. The bottom left quadrant contains all those customers with whom there is improvement potential in the current relationship quality and the estimate for future solution relationship potential is limited. Due to a suboptimal cooperation to date and a marginal prospect of becoming a solution customer, the remaining customers should be addressed only in a second, solution replication phase.

It is evident that the criteria for selecting suitable solution customers in their sum differ from traditional segmentation criteria for product and service customers. The application of the customer selection criteria and the managerial tool can support solution providers and those companies that aim to become solution providers to avoid misdirected investments because the selection criteria allow them to target customers more effectively.

Theoretical implications

We contribute to the literature by developing a set of segmentation criteria for solution customers. An obvious limitation of our research is that we provide only an initial validation of the criteria based on a small sample. Future research might therefore quantitatively test the criteria with a large enough sample to draw statistically significant inferences. Since our data indicated that the importance of the criteria varies for different types of solution suppliers, future research could investigate the extent of the criteria's context-specificity. Additionally, it would be interesting to conduct a longitudinal study exploring similarities and differences over the solution development processes among the four customer categories of the solution customer portfolio. Another limitation is that the criteria we developed can only be applied to existing customers about whom the supplier possesses some knowledge. Future research might investigate the evaluation and selection of new customers.

References

Bonnemeier, S., Burianek, F. and Reichwald, R. (2010), "Revenue models for integrated customer solutions: Concept and organizational implementation", *Journal of Revenue and Pricing Management*, Vol. 9, No. 3, p. 228-238.

Bonney, F. L. and Williams, B. C. (2009), "From products to solutions: the role of salesperson opportunity recognition", *European Journal of Marketing*, Vol. 43, No. 7/8, p. 1032-1052.

Brady, T., Davies, A. and Gann, D. M. (2005), "Creating value by delivering integrated solutions", *International Journal of Project Management*, Vol. 23, No. 5, p. 360-365.

Brax, S. A. and Jonsson, K. (2009), "Developing integrated solution offerings for remote diagnostics", *International Journal of Operations & Production Management*, Vol. 29, No. 5, p. 539-560.

Campbell, N. C. and Cunningham, M. T. (1983), "Customer analysis for strategy development in industrial markets", *Strategic Management Journal*, Vol. 4, No. 4, p. 369-380.

Chakkol, M., Johnson, M., Raja, J. and Raffoni, A. (2014), "From goods to solutions: how does the content of an offering affect network configuration?", *International Journal of Physical Distribution & Logistics Management*, Vol. 44, No. 1/2, p. 9-9.

Davies, A., Brady, T. and Hobday, M. (2006), "Charting the Path Towards Integrated Solutions", *MIT Sloan Management Review*, Vol. 47, No. 3, p. 39-48.

Ellram, L. M. and Siferd, S. P. (1998), "Total cost of ownership: a key concept in strategic cost management decisions", *Journal of Business Logistics*, Vol. 19, No. p. 55-84.

Evanschitzky, H., Wangenheim, F. V. and Woisetschläger, D. M. (2011), "Service & solution innovation: Overview and research agenda", *Industrial Marketing Management*, Vol. 40, No. 5, p. 657-660.

Everhartz, J., Maiwald, K. and Wieseke, J. (2014), "Identifying and analyzing the customer situation: Drivers for purchasing Industrial Product Service Systems", *Procedia CIRP*, Vol. 16, No. p. 308-313.

Fang, E., Palmatier, R. W. and Evans, K. R. (2008), "Influence of customer participation on creating and sharing of new product value", *Journal of the Academy of Marketing Science*, Vol. 36, No. 3, p. 322-336.

Galbraith, J. (2002), "Organizing to deliver solutions", *Organizational Dynamics*, Vol. 31, No. 2, p. 194-207.

Gomez-Arias, J. T. and Montermoso, J. P. (2007), "Initial reference customer selection for high technology products", *Management decision*, Vol. 45, No. 6, p. 982-990.

Gosselin, D. P. and Bauwen, G. A. (2006), "Strategic account management: customer value creation through customer alignment", *Journal of Business & Industrial Marketing*, Vol. 21, No. 6, p. 376-385.

Gounaris, S. P. and Tzempelikos, N. (2014), "Relational key account management: Building key account management effectiveness through structural reformations and relationship management skills", *Industrial Marketing Management*, Vol. in Press, No. p.

Gummesson, E. (2002), "Practical value of adequate marketing management theory", *European journal of marketing*, Vol. 36, No. 3, p. 325-349.

Han, S.-L., Wilson, D. T. and Dant, S. P. (1993), "Buyer-supplier relationships today", *Industrial Marketing Management*, Vol. 22, No. 4, p. 331-338.

Heide, J. B. and John, G. (1992), "Do norms matter in marketing relationships?", *The Journal of Marketing*, Vol. 56, No. 2, p. 32-44.

Kindström, D. and Kowalkowski, C. (2014), "Service innovation in product-centric firms: a multidimensional business model perspective", *Journal of Business & Industrial Marketing*, Vol. 29, No. 2, p. 96-111.

King, N. (2004), "Using templates in the thematic analysis of text", in: Cassell, C. and Symon, G. (editors), *Essential Guide to Qualitative Methods in Organizational Research*, Sage, London, p. 256-270.

Le Meunier-FitzHugh, K., Baumann, J., Palmer, R. and Wilson, H. (2011), "The implications of service-dominant logic and integrated solutions on the sales function", *Journal of Marketing Theory and Practice*, Vol. 19, No. 4, p. 423-440.

Macdonald, E. K., Wilson, H., Martinez, V. and Toossi, A. (2011), "Assessing value-in-use: A conceptual framework and exploratory study", *Industrial Marketing Management*, Vol. 40, No. 5, p. 671-682.

Matthyssens, P. and Vandenbempt, K. (2008), "Moving from basic offerings to value-added solutions: Strategies, barriers and alignment", *Industrial Marketing Management*, Vol. No. p. 316-328.

Mele, C. (2009), "Value innovation in B2B: learning, creativity, and the provision of solutions within service-dominant logic", *Journal of Customer Behaviour*, Vol. 8, No. 3, p. 199-220.

Michel, S., Brown, S. W. and Gallan, A. S. (2008), "An expanded and strategic view of discontinuous innovations: deploying a service-dominant logic", *Journal of the Academy of Marketing Science*, Vol. 36, No. p. 54-66.

Miller, D., Hope, Q., Eisenstat, R., Foote, N. and Galbraith, J. (2002), "The problem of solutions: Balancing clients and capabilities", *Business Horizons*, Vol. 45, No. 2, p. 3-12.

Mota Pedrosa, A. (2012), "Customer Integration during Innovation Development: An Exploratory Study in the Logistics Service Industry", *Creativity and Innovation Management*, Vol. 21, No. 3, p. 263-276.

Napolitano, L. (1997), "Customer-Supplier Partnering: A Strategy Whose Time Has Come", *Journal of Personal Selling & Sales Management*, Vol. 17, No. 4, p. 1-8.

Nicolajsen, H. W. and Scupola, A. (2011), "Investigating issues and challenges for customer involvement in business services innovation", *Journal of Business & Industrial Marketing*, Vol. 26, No. 5, p. 368-376.

Nordin, F. and Kowalkowski, C. (2010), "Solutions offerings: a critical review and reconceptualisation", *Journal of Service Management*, Vol. 21, No. 4, p. 441-459.

Ojasalo, J. (2001), "Key account management at company and individual levels in business-to-business relationships", *Journal of Business & Industrial Marketing*, Vol. 16, No. 3, p. 199-220.

Roegener, E. V. (2001), "Effective Solution Pricing", *Marketing Practice*, Vol. No. p.

Salonen, A. (2011), "Service transition strategies of industrial manufacturers", *Industrial Marketing Management*, Vol. 40, No. 5, p. 683-690.

Sharma, A., Iyer, G. and Evanschitzky, H. (2008), "Personal Selling of High-Technology Products: The Solution-Selling Imperative", *Journal of Relationship Marketing*, Vol. 7, No. 3, p. 287-308.

Storbacka, K. (2011), "A solution business model: Capabilities and management practices for integrated solutions", *Industrial Marketing Management*, Vol. 40, No. 5, p. 699-711.

Storbacka, K., Polsa, P. and Sääksjärvi, M. (2011), "Management practices in solution sales—a multilevel and cross-functional framework", *Journal of Personal Selling & Sales Management*, Vol. 31, No. 1, p. 35-54.

Tuli, K. R., Kohli, A. K. and Bharadwaj, S. G. (2007), "Rethinking customer solutions: From product bundles to relational processes", *Journal of Marketing*, Vol. 71, No. July, p. 1-17.

Ulaga, W. and Reinartz, W. J. (2011), "Hybrid offerings: How manufacturing firms combine goods and services successfully", *Journal of Marketing*, Vol. 75, No. November, p. 5-23.

Üstüner, T. and Godes, D. (2006), "Better sales networks", *Harvard Business Review*, Vol. 84, No. 7/8, p. 102-112.

Walter, A. (1999), "Relationship promoters: Driving forces for successful customer relationships", *Industrial Marketing Management*, Vol. 28, No. 5, p. 537-551.

Webster, F. E. (1992), "The changing role of marketing in the corporation", *The Journal of Marketing*, Vol. 56, No. October, p. 1-17.

Windahl, C. and Lakemond, N. (2006), "Developing integrated solutions: The importance of relationships within the network", *Industrial Marketing Management*, Vol. 35, No. 7, p. 806-818.

Windahl, C. and Lakemond, N. (2010), "Integrated solutions from a service-centered perspective: Applicability and limitations in the capital goods industry", *Industrial Marketing Management*, Vol. 39, No. 8, p. 1278-1290.

Antecedents and consequences of relationship quality in high credence services

Pinelopi Athanasopoulou* and Apostolos N. Giovanis**

*University of Peloponnese, G.Ritsou 5, 14671 Nea Erithraia, Greece
**Technological Educational Institute of Athens, Greece

Introduction - Purpose

In today's highly competitive environment developing relationships with customers is considered to be a significant competitive advantage for firms (Athanasopoulou, 2009; 2012). In services, the importance of relationships is even greater and therefore service providers are increasingly using relationship-based strategies to compete in the marketplace (Nguyen & Mutum, 2012). Therefore, maintaining and enhancing relationship quality (RQ) has become a very important issue for firms. RQ has been defined as a bundle of intangible value that augments products or services and results in an expected interchange between buyer and seller (Levitt, 1986). The management of RQ is particularly important in high credence services where it is very difficult for customers to evaluate service quality even after they have used the service. In such cases, the development of a good relationship with the service provider is critical for long-term customer retention.

Two of the relatively new antecedents of RQ that have emerged in the literature are respect and rapport (Gremler & Gwinner, 2000; Ali & Ndubisi, 2011). The concept of respect is found in psychology (Langdon, 2007) and one of its four themes involves respect as caring. This helps in understanding the concept of respect towards customers (Langdon, 2007; Dillon, 1992). This study adopts the three dimensions of respect put forward by Dillon (1992) and used by Ali & Ndubisi (2011). These are

Attention and Valuing to particularity; Understanding, and Responsibility. Furthermore, rapport is another concept similar to respect that has been used in a number of disciplines studying human interaction including marketing; psychology, and education (e.g. Faranda & Clarke, 2004; Weitz et al., 2007). Carey et al. (1986) define it as a quality of relationships characterized by satisfactory communication and mutual understanding. Rapport relates to the quality of human interaction and is very characteristically described by Tickle-Degnen and Rosenthal (1990), who suggest that people experience rapport when they “click” with one another or feel the good interaction due to chemistry. Both respect and rapport have been shown to affect RQ of dental clinics’ customers and their dentists (Ali & Ndubisi, 2011). Respect and rapport seem to deepen relationships between service providers and customers and lead to sustainability of relationships over time. Therefore, we can also argue that they affect customer loyalty. The link between rapport and loyalty has been examined by Gremler and Gwinner (2008) whereas the effect of respect on customer loyalty has not been researched before.

Furthermore, RQ has been shown to affect customer loyalty in many contexts (e.g. Henning-Thurau et al., 2002; Vesel & Zabkar, 2010). However, customer loyalty is not only about purchase intentions and positive word of mouth but also includes the extent of price sensitivity or tolerance that customers have in a long-term relationship. Especially in private medical services, a loyal customer will pay a higher price for the services of his preferred doctor. Therefore, we can argue that RQ influences customers’ price tolerance. Finally, since respect and rapport affect RQ, we can argue that they also affect price tolerance both directly and indirectly.

The purpose of this study is to test the direct and indirect relationships of Respect; Rapport; Relationship Quality (RQ); Customer Loyalty (CL), and Price Tolerance (PT) in private doctor-patient relationships.

Methodology

A survey was carried out involving a convenience sample of 600 customers of professional doctors from several specialties. Data was analysed with PLS-PM. Data were collected using a structured questionnaire with questions in prearranged order. The scales used to operationalize the concepts of the proposed model are all established scales that were adopted from different sources to suit the study. All items were measured on a seven-point Likert scale ranging from 1 "strongly disagree" to 7 "strongly agree". The fieldwork was conducted in January and February 2014, and resulted in a total of 500 usable responses, yielding a net response rate of about 83%. Results were analysed with Partial Least Squares (PLS) analysis.

Results

Respect (β = 0,45) and Rapport (β = 0,42) are both almost equally important for RQ. From the three dimensions of Respect, Responsibility is the most important, followed by Attention and Valuing to particularity and finally Understanding. Respect and Rapport together explain 69% of variance in RQ. Furthermore, RQ significantly affects CL (β = 0,48). However, the direct effects of Respect (β= 0,27) and Rapport (β= 0,12) on CL are also significant. Respect; Rapport, and RQ together explain 67% of variance in CL. Finally, the most important factors affecting PT are Rapport (β = 0,42) and RQ (β = 0,31) and together explain 42% of variance. In contrast Respect does not have a significant effect on PT.

Managerial implications, limitations and suggestions for further research

Findings present many implications for management of relationships in high credence services. First, both respect and rapport are equally important antecedents of relationship quality. It seems that as with personal friendly or romantic relationships, having a close connection with the physician where interaction is enjoyable, and the existence of mutual respect are the most important things for building a quality relationship. Within respect, responsibility is the most important dimension. This shows that in doctor-patient relationships, caring for a person in the sense of helping them to pursue their goals and satisfy their needs and wants is critical for RQ. Furthermore, the direct influence of rapport and respect on customer loyalty shows that customer loyalty can increase even without a long-term relationship between doctors and patients although the direct effect is at least twice as powerful. Finally, the non-significance of respect for PT shows that respect only affects PT through RQ. This probably happens because respect is earned slowly and can only follow the development of a good relationship while rapport is created from the first interaction with the physician. If patient and doctor "click" with each other, then patients are willing to pay a higher price in order to stay with the same doctor.

This study expands knowledge on the antecedents and consequences of RQ in high credence services. However, it refers only to one type of service in one country. Future research can validate these results in multiple service contexts and in multi-country studies in order to examine the role of culture in customer perceptions.

References

Ali, S.H.S. & Ndubisi, N.O. (2011). The effects of respect and rapport on relationship quality perception of customers of small healthcare firms. *Asia Pacific Journal of Marketing & Logistics,* 23(2), 135-151.

Athanasopoulou P. (2012) Relationship quality in services: past, present and future. In Kaufmann, H. and Panni, F. A. K. (Eds.), *Customer Centric Marketing Strategies: Tools for Building Organizational Performance*, IGI Global, Hershey, PA, pp. 171-191.

Athanasopoulou, P. (2009), "Relationship quality: a critical literature review and research agenda", *European Journal of Marketing*, Vol. 43 No. 5/6, pp. 583-610.

Carey, J.C., Hamilton, D.L. and Shaklin, G. (1986), "Development of an instrument to measure rapport between college roommates", Journal of College Student Personnel, Vol. 27 No. 3, pp. 269-73.

Dillon, R.S. (1992), "Care and respect", in Cole, E.B. and Coultrap-McQuin, S. (Eds), *Explorations in Feminist Ethics*, Indiana University Press, Bloomington, IN.

Faranda, W.T. and Clarke, I. III (2004), "Student observation of outstanding teaching: implications for marketing educators", Journal of Marketing Education, Vol. 26 No. 3, pp. 271-81.

Gremler, D.D. and Gwinner, K.P. (2000), "Customer-employee rapport in service relationships", *Journal of Service Research*, Vol. 3 No. 1, pp. 82-104.

Gremler, D.D. and Gwinner, K.P. (2008), "Rapport-building behaviour used by retail employees", *Journal of Retailing*, Vol. 84 No. 3, pp. 308-24.

Henning-Thurau, T., Gwinner, K. P. and Gremler, D. D. (2002), "Understanding relationship marketing outcomes: an integration of relational benefits and relationship quality", *Journal of Service Research*, Vol. 4, No. 3, pp. 230-247.

Langdon, S.W. (2007), "Conceptualizations of respect: qualitative and quantitative of four (five) themes", The Journal of Psychology, No. 141, pp. 469-84.

Levitt, T. (1986), The Marketing Imagination, The Free Press, New York.

Nguyen, B. and Mutum, D. S. (2012), "A review of customer relationship management: successes, advances, pitfalls and futures", *Business Process Management Journal*, Vol. 18 No. 3, pp. 400 – 419

Tickle-Degnan, L. and Rosenthal, R. (1990), "The nature of rapport and its nonverbal correlates", Psychological Inquiry, Vol. 1 No. 4, pp. 285-93.

Vesel P., & Zabkar, V. (2010). Relationship quality evaluation in retailers' relationships with consumers. *European Journal of Marketing*, 44(9/10), 1334-1365.

Weitz, B.A., Castleberry, S.C. and Tanner, J.F. (2007), Selling: Building Partnership, McGraw-Hill/Irwin, New York, NY.

Services and Relationship Marketing

Can attachment theory explain why social bonds develop in business relationships? An exploratory study of professional service providers

Ewa Krolikowska

University of Greenwich, Old Royal Naval College, Park Row, London SE10 9LS, UK

Abstract
Social bonds have been found to lead to beneficial outcomes such as loyalty in business relationships but how and why these bonds develop has not been fully explored. Attachment theory has been widely used to explain how people form personal attachments but its use in the context of business relationships has been limited so far. Thirty in-depth interviews were conducted using a phenomenological approach to explore whether attachment theory can explain how social bonds develop in professional service provider-client relationships. The findings give some interesting insights into bonding and attachment from the experiences of professional service providers and form the basis of some important managerial implications.

Keywords: social bonds, attachment, business relationships, professional services

Purpose of the research

Social bonds have been recognised as one of the relationship bonds which can lead to customer loyalty (Berry, 1995). Studies by Kuenzel and Krolikowska (2008a, 2008b) have tested the effect of bonds on loyalty in a business-to-business context. The first study (2008a) found that relationship bonds have a positive effect on commitment which is a mediating variable leading to loyalty in professional service relationships. The second study (2008b) found bonds to have a positive impact on behavioural loyalty in auditor-client relationships.

In professional services, social bonds are particularly important as the value of the people delivering the services increases due to the services' intangibility, complexity and need for customisation (Crosby et al, 1990) which means the quality of a personal relationship can determine repeat purchase. Bonds created at an individual level can provide an incentive to maintain the organisational relationship (Lian and Liang, 2007) or an exit barrier to prevent the client from leaving the relationship (Arantola, 2002). Bonds have the potential to enhance relationships and make them appear more valuable to customers (Ulaga and Eggert, 2006). It is in our interest to find out how social bonds develop in business relationships since without them, these relationships may not develop or last into the future (Andersen and Kumar, 2006).

Attachment theory is a social-psychology theory which may help in understanding how social bonds develop as it has been widely used to explain how people form attachments. This paper describes an exploratory study undertaken to find out more about attachment in business relationships and whether attachment theory can explain how social bonds develop between clients and professional service providers.

Literature Review

It is not clear from the literature how many or what type of relationship bonds exist. Liljander and Strandvik (1995) have identified ten types of bonds and Arantola (2002) found eighteen bonds. Berry and Parasuraman (1991) recognise three levels of bonding in customer retention strategies: financial, social and structural. The author's review of the literature on relationship bonds has identified that the social bond is the most common type of bond empirically researched in marketing studies. However there is no common theoretical framework being used by researchers into social bonds. Social exchange theory has been used by a few authors e.g. Smith 1998 and Rodriguez and Wilson, 2002 however this theory proposes an instrumental basis for social bond development based on rewards and benefits a relationship partner can provide. Yet it does not explain affectionate bonds which develop between individuals which have an emotional rather than instrumental basis.

It is proposed that attachment theory may provide a theoretical framework to explain clients' social bonds with professional service providers. Attachment theory implies that beliefs and feelings about the self are determined in part by the responsiveness of the caregiving environment to individual needs for comfort and security (Bowlby, 1973). Attachment theory emerged from studies of how young children behave when the parent is absent (Ainsworth, 1970) and is based on a biological system where the child seeks closeness, safety and security from the parent or primary attachment figure. Bowlby (1973) proposed that the attachment style and mental models of self and social life evolve from infancy and continue into adulthood. Attachment figures can be romantic partners, family members or friends but Paulssen (2009) suggests that they can also be business partners. Mayseless and Popper (2007) refer to attachment as a spectrum which suggests that attachment can be stronger such as the attachment of a child for a parent and weaker such as the attachment of a client for a service provider.

Research Questions

Three research questions were developed following a review of the literature:

1. Are service provider-client relationships similar to parent-child relationships?
2. Does attachment occur in business?
3. Can attachment theory be used to explain bonding in business?

Methodology

A few studies (e.g. Thomson and Johnson, 2006 and Mende et al, 2013) have used quantitative methods to measure customers' attachment style to see how that impacts on the business relationship. However there is little qualitative work in this area and few studies which take the service provider's perspective.

A phenomenological approach was selected for this research study as the author wanted to find the meaning of people's 'lived experiences' (Creswell, 2007:57) of attachment by facilitating the reflections of a sample of professional service providers on their client relationships. Thirty semi-structured, in-depth interviews were conducted from February – May 2012 with service providers based in and around London. A broad range of opinion was sought so interviewees were chosen across a range of demographic characteristics and offering a variety of services such as: accounting, auditing, banking, business development, IT, management consultancy, legal, property consultancy and PR. An interview guide was created to collect data using both a deductive approach to test ideas present in the literature and an inductive approach to keep an open mind for new themes which may shed light on the phenomena of bonding and attachment in business.

Results

The thirty in-depth interviews generated 250 pages of data (over 155,000 words) which were analysed using NVIVO 9 software. Due to the word count permitted for this paper, it is not possible to present the full analysis here therefore the results are summarised in response to the three research questions given earlier.

One of the areas explored in the interviews was whether service provider-client relationships are similar to parent-child relationships. Mayseless and Popper (2007) examined relationships between leaders and followers and found strong emotional bonds of followers seeking comfort and protection from the leader who is perceived as stronger and wiser like a parent figure. However the interview data showed that this type of relationship exists only in very specific cases in service provider-client relationships, for example, where the client was younger, less knowledgeable, had family problems and/or was in severe difficulty and had to depend on the service provider. Most service providers interviewed identified that their relationships with clients tend to be based on equality, reciprocity and partnership. This is more typical of adult attachment: 'they each can gain security in the relationship and each give care to the other' (Ainsworth, 1991:36):

'I mean you could argue cynically as a professional services person that if someone looked up to you as a parent and depended on you then that would be some sort of career nirvana. But I think in many cases, there's some kind of symbiosis, to use a ridiculous word, where they bring a lot of domain expertise from the business and industry that they're working in and the culture they're working in and the organisation, stuff that you don't have. And you bring an external perspective which may be a little bit more theoretical or removed from that specific environment. And together you can apply both of your experiences in that environment better and you sort of rely on each other.'

(Operating Partner, Management Consulting Firm)

In response to the question: does attachment occur in business, most interviewees identified emotional bonds being present in some of their client relationships and recognised that they got more out of these relationships personally and/or professionally. Interviewees spoke about becoming attached to certain clients where relationships were characterised by qualities such as honesty and empathy. Many service providers identified that similarity was important in forming bonds with their clients; in particular, similar culture, interests, attitudes and age were mentioned most frequently. However the advantages of forming bonds based on similarity may not be long-term ones, especially for the client. One interviewee referred to:

> *'... white middle-class men, primarily dominating…creative services and professional services…because they like each other and have the same outlook on life, they went to the same schools, they went to the same universities, they support the same clubs, they get married at the same time. They are identikits. Because they like each other, because they recognise themselves in each other there's no (what's the word) risk to the relationship and ultimately that's stultifying'*

(Managing Director, PR Consultancy)

In addition, certain barriers to attachment were acknowledged by services providers including: the type of service provided e.g. auditing where the service provider needs to be independent; personal preference for a more distant relationship; an unpleasant personality and a lack of opportunity for meaningful bonds to develop at more junior levels within an organisation.

It appears that attachment theory can explain why bonds develop in certain situations, in particular, Weiss (1991:75) discusses how the attachment behaviour can be activated when difficulties arise at work: 'when individuals feel themselves inadequate to the challenges confronting them and seek a strengthening alliance.' Service providers interviewed recognised clients becoming more attached to them especially when they were faced with an emergency situation at work or problems in their personal life. Projects which clients felt were risky such as organising a product launch or a new event also appeared to trigger a change in the client's behaviour and they became more reliant on the service provider to provide reassurance and security. If the service provider responded positively to the situation and helped the client, the bonds became stronger than before. A number of service providers told stories from their own experiences to show how the strongest bonds are built through adversity when the relationship is really tested:

'If you've done something together that was quite difficult, you end up resolving a problem together and I think that can lead to much deeper relationships because you've sort of gone through adversity together. Whereas others are at a much more superficial level because it all ticks along quite smoothly and it's more just about getting the process done efficiently and effectively.'

(Director and Head of Charities, Big Four Firm)

Implications

The results showed that it is not usual for a service provider to act as a primary attachment (parent) figure for the client however the results showed that clients may exhibit attachment behaviour when they are experiencing personal stress at work or at home. It is important for service providers to be responsive, accessible and supportive in this situation as it is an opportunity to build stronger bonds with the client. A lack of appropriate response when the client is in difficulty may lead to a break-down of the personal relationship and possibly losing the account since the quality of the personal relationship can determine repeat purchase and be a proxy for evaluating service performance (Haytko, 2004).

The data showed that bonds can form naturally between service provider and client especially when there is some similarity, such as similar culture, interests, attitudes and age, between the parties. Similarity was said to facilitate bonds developing more quickly. Where social bonds do not naturally occur, some service providers talked about being pro-active in creating them, for example, by learning to play golf in order to have a common interest to talk about with their clients. However, since service providers are often called upon to add value and bring in a different perspective on an issue, bonding based on similarity may lead to a lack of diversity of opinion and tendency to agree with the client. Therefore professional service providers and organisations need to be aware of the benefits and disadvantages of bonds forming based on similarity.

Finally, although loyalty itself was not the focus of this paper, researchers e.g. Berry (1995) and Kuenzel and Krolikowska (2008a, 2008b) have established that bonding can lead to loyalty. However since social bonds are formed at a personal level, is the loyalty to the individual or the organisation? There are many examples of professional service providers leaving the firm and taking the clients with them. The firm needs to be aware of the dangers of leaving the client relationship in the hands of one individual and create further bonds including those at an organisational level.

Reference List

Andersen, P.H. and Kumar, R. (2006) 'Emotions, trust and relationship development in business relationships; A conceptual model for buyer-seller dyads', *Industrial Marketing Management*, 35:4, 522-535.

Ainsworth, M.D. Salter (1982) 'Attachment: Retrospect and Prospect' in Murray Parkes, C. and Stevenson-Hinde, J. (eds.) *The Place of Attachment in Human Behavior*, London, Tavistock Publications.

Ainsworth, M.D. (1991) 'Attachments and other affectional bonds across the life cycle' in Parkes, C.M., Stevenson-Hinde, J. and Marris, P. (eds.) *Attachment Across the Life Cycle*, London, Routledge.

Arantola, H. (2002), 'Consumer bonding - a conceptual exploration', *Journal of Relationship Marketing,* 1:2, 93-107.

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. and Parasuraman, A. (1991), *Marketing Services – Competing through Quality* New York, Free Press.

Bowlby, J. (1973) *Separation, Anxiety and Anger*, USA, The Tavistock Institute of Human Relations.

Creswell, J.W. (2007) *Qualitative Inquiry & Research Design Choosing Among Five Approaches Second Edition*, Thousand Oaks, California, Sage Publications.

Crosby, L.A., Evans, K.R. and Cowles, D. (1990) 'Relationship Quality in Services Selling: An Interpersonal Influence Perspective', *Journal of Marketing*, 54:3, 68-81.

Haytko, D.L. (2004) 'Firm-to-Firm and Interpersonal Relationships: Perspectives from Advertising Agency Account Managers', *Journal of the Academy of Marketing Science*, 32:3, 312-328.

Kuenzel, S. and Krolikowska, E. (2008a) 'The effect of bonds on loyalty towards auditors: the mediating role of commitment', *The Service Industries Journal*, 28:5, 685-700.

Kuenzel, S. and Krolikowska, E. (2008b) 'Psychological bonds and their impact on behavioral loyalty in auditor-client relationships', *Managerial Auditing Journal*, 23:4, 328-344.

Lian, P.C.S. and Laing, A.W. (2007) 'Relationships in the purchasing of business to business professional services: The role of personal relationships', *Industrial Marketing Management*, 36:6, 709-718.

Liljander, V. and Strandvik, T. (1995) 'The nature of customer relationships in services', in Swartz, T.A., Bowen, D.E., Brown, S.W. (eds.) *Advances in Services Marketing and Management,* Vol. 4, JAI Press, Greenwich.

Mayseless, O. and Popper, M. (2007) 'Reliance on leaders and social institutions: An attachment perspective', *Attachment & Human Development*, 9:1, 73-93.

Mende, M., Bolton, R.N. and Bitner, M.J. (2013) 'Decoding Customer-Firm Relationships: How Attachment Styles Help Explain Customers' Preferences for Closeness, Repurchase Intentions and Changes in Relationship Breadth', *Journal of Marketing Research*, 50:1, 125-142.

Paulssen, M. (2009) 'Attachment Orientations in Business-to-Business Relationships', *Psychology & Marketing*, 26:6, 507-533.

Rodriguez, C.M. and Wilson, D.T. (2002) 'Relationship Bonding and Trust as a Foundation for Commitment in U.S.-Mexican Strategic Alliances: A Structural Equation Modeling Approach', *Journal of International Marketing*, 10:4, 53-76.

Smith, B. (1998) 'Buyer-Seller Relationships: Bonds, Relationship Management and Sex-Type', *Canadian Journal of Administrative Sciences*, 15:1, 76-92.

Thomson, M. and Johnson, A.R. (2006) 'Marketplace and Personal Space: Investigating the Differential Effects of Attachment Style Across Relationship Contexts', *Psychology & Marketing*, 23:8, 711-726.

Ulaga, W. and Eggert, A. (2006) 'Value-Based Differentiation in Business Relationships: Gaining and Sustaining Key Supplier Status', *Journal of Marketing*, 70:1, 119-136.

Weiss, R.S. (1991) 'The attachment bond in childhood and adulthood' in Parkes, C.M., Stevenson-Hinde, J. and Marris, P. (eds.) *Attachment Across the Life Cycle*, London, Routledge.

Determinants and Consequences of Reward Redemption in Loyalty Programs

Marc Schnöring*, David M. Woisetschläger*, and Christof Backhaus**

*Technische Universität Braunschweig, Institute of Automotive Management and Industrial Production, Hermann-Münch-Str. 1, 38440 Wolfsburg, Germany
**Newcastle University Business School, 5 Barrack Road, Newcastle upon Tyne, NE1 4SE, United Kingdom

Loyalty programs represent a cornerstone of firms' customer relationship marketing strategies (Dorotic, Bijmolt, and Verhoef 2012; Liu and Yang 2009; Reinartz 2010), and their popularity is still surging: From 2000 to 2012, the number of loyalty program enrollments in the U.S. has almost tripled from 0.973 billion to 2.647 billion in totals (Berry 2013). From the perspective of customer behavior, this unwaning interest in loyalty programs can be explained by the special services, personalized attention, or rewards customers get in return for their loyalty and information sharing (Noble and Phillips 2004).

Most loyalty programs take on the form of "buy X amount/collect X points, get a reward" (Breugelmans et al. 2014). Thereby, reward redemption is one of the most important indicators for customers' interest and active engagement in loyalty programs because in the redemption stage the benefits of a loyalty program "become most salient to the consumer" (Drèze and Nunes 2006, p. 129). In light of the psychological and economic benefits that stem from reward redemption (Liu 2007), it is reasonable to assume that customers regularly engage in redeeming their collected points. Consequently, from a customer perspective, collection and redemption behaviors in loyalty programs should go hand in hand (Smith and Sparks 2009). From a provider perspective, it similarly can be argued that loyalty program managers should have a genuine interest in stimulating and facilitating redemption behavior of their customer base. As former MasterCard Advisor Bob Konsewicz (2008, p. 2) stresses: "encouraging and driving redemptions allows members to engage in and experience the value proposition of the program – and the sooner they do that, the better!" For example, Best Buy utilizes in-store offers based on loyalty program data in order to increase point redemptions (Breugelmans et al. 2014) and some retailers (e.g., Nectar) or airlines (e.g. Delta) even forgo expiration dates of loyalty program points and miles to reduce the barriers to reward redemption. As the result of such behavior, firms may benefit from reward redemption through better customer knowledge and enhanced spending from satisfied customers (Smith and Sparks 2009).

Against this background, it is widely argued that loyalty programs should lead to reward redemption, as such customer behavior should be beneficial from a customer as well as from a loyalty program perspective (Smith and Sparks 2009).

However, having a look at actual redemption rates, it becomes obvious that customers engage in reward redemption to a much lesser extent than it could be expected: for example, some airlines report a breakage rate (e.g., the difference between points issued and points redeemed) higher than 40 % and in retail loyalty programs the breakage rate is still at around 25 % (Balaji 2012). Thereby, not redeeming collected rewards can even have severe negative impact for the program. In particular, some firms even suffer financially from the large number of unredeemed reward points (just in the airline industry the number of unredeemed miles varies between 15 and 20 trillion; Whitman 2011), which place a large financial burden on the firm's balance sheets (PWC 2013).

Despite the practical importance of gaining a deeper understanding of customer redemption behavior, and its determinants and effects on customer loyalty in particular, the current status of academic knowledge in this area provides only limited insight.

The majority of the few articles on reward redemption is based on descriptive or qualitative approaches (e.g., Noble and Phillips 2004; Smith and Sparks 2009; Stauss, Schmidt, and Schoeler 2005), and on experimental studies regarding the effect of reward redemption policies (e.g., Melancon, Noble, and Noble 2011; Noble, Esmark, and Noble 2014; Kwong, Soman, Ho 2011; Roehm and Roehm Jr. 2011), leading to external validity concerns. Only few articles have examined behavioral consequences of reward redemption on customer behavior in a real-world setting, indicating the existence of a rewarded behavior effect which proposes that customers have higher expenditures after the reward redemption than before (Drèze and Nunes 2011; Kopalle et al. 2012; Lal and Bell 2003; Taylor and Neslin 2005). However, existing studies only provide partly evidence for a post-reward effect in promotion-like short-term loyalty programs (Kivetz, Urminsky, and Zheng 2006; Lal and Bell 2003; Taylor and Neslin 2005), or rather in customer tier programs, where post-reward effects may not only depend on the reward but also on additional benefits associated with the customer tier (Drèze and Nunes 2011; Kopalle et al. 2012). Moreover, existing research indicates that the size of the rewarded behavior effect may also depend on consumer characteristics (Kopalle et al. 2012; Lewis 2004), though those interaction effects have received relatively less attention in the literature. In a similar vein, little is known whether the kind of redeemed reward or the fraction of redeemed loyalty program points may influence customer behavior.

Given these research gaps our study tries to contribute to existing literature by answering the following questions:

1) What are the determinants of reward redemption? Does former customer behavior, socio-demographics or the length of loyalty program membership have an influence on reward redemption?
2) Is there a difference in behavioral loyalty between customers who redeem a reward and customers who do not?
3) How do customers behave after reward redemption in the long run? Does this reaction depend for example on the kind of reward or on the number of redeemed miles?

To shed light on these three aspects around the topic of reward redemption, we analyzed data stemming from the data warehouse of a large global airline. The database contains detailed individual information in terms of transactions and revenues, covering a period from October 2011 to March 2014. More specifically, we obtained information from the airline about customers' collecting and redemption activities as well as further non-transaction related information such as socio-demographics or the length of the customer-firm relationship. Overall, we obtained a random sample of approximately 20,000 frequent flyers (with the exception of status customers) to analyze the research questions outlined above.

Using propensity matching method in order to account for endogeinity effects of reward redemption (e.g., self-selection bias) (Breugelmans et al. 2014; Dehejia and Wahba 2002; Garnefeld et al. 2013; Wangenheim and Bayón 2007). In essence, our research sheds light on redemption behavior and its consequences in terms of behavioral loyalty of customers of an airline loyalty program. Our results should help loyalty program managers to understand which objectively measured determinants (e.g. socio-demographics, prior behavior, and customer-firm relationship indicators) affect customer's decision to redeem a reward. Moreover, our results provide practitioners and academicians an overview whether reward redemption may be beneficial for the firm or not. Implications for loyalty program managers are derived from our thorough assessment from the large data set helping them to manage the reward redemption process more efficiently.

References

Balaji, L. N. (2012), *Rewards Breakage – Boon or Bane?* (accessed June 23, 2014), [available at: http://www.destinationcrm.com/Articles/Web-Exclusives/Viewpoints/Rewards-Breakage-Boon-or-Bane-80863.aspx].

Berry, Jeff (2013), "Bulking Up: The 2013 COLLOQUY Loyalty Census. Growth and Trends in U.S. Loyalty Program Activity," *COLLOQUY Talk 2013*.

Breugelmans, Els, Tammo H. A Bijmolt, Jie Zhang, Basso, Leonardo J., Matilda Dorotic, Praveen Kopalle, Alec Minnema, Willem J. Mijnlieff, and Nancy Wünderlich (2014), "Advancing research on loyalty programs: a future research agenda," *Marketing Letters*, Online First.

Dehejia, Rajeev H. and Sadek Wahba (2002), "Propensity Score-Matching Methods For Nonexperimental Causal Studies," *The Review of Economics and Statistics*, Vol. 81 (1), 151–161.

Dorotic, Matilda, Tammo H. A. Bijmolt, and Peter C. Verhoef (2012), "Loyalty Programmes: Current Knowledge and Research Directions," *International Journal of Management Reviews*, Vol. 14 (3), 217–237.

Drèze, Xavier and Joseph C. Nunes (2011): "Recurring Goals and Learning: The Impact of Successful Reward Attainment on Purchase Behavior," *Journal of Marketing Research*, Vol. 48 (2), 268–281.

Garnefeld, Ina, Andreas Eggert, Sabrina V. Helm, and Stephen S. Tax (2013), "Growing Existing Customers' Revenue Streams Through Customer Referral Programs," *Journal of Marketing*, Vol. 77 (4), 17–32.

Kivetz, Ran, Oleg Kurminsky, and Yuhuang Zeng (2006), "The Goal-Gradient Hypothesis Resurrected: Purchase Acceleration, Illusionary Goal Progress, and Customer Retention," *Journal of Marketing Research*, Vol. 43 (1), 39-58.

Konsewicz, Bob (2007), "*Does your point burner campaign really reduce your loyalty program's point liability?*" (accessed June 23, 2014), [available at https://www.mastercard.com/us/company/en/whatwedo/articles.html].

Kopalle, Praveen K., Yacheng Sun, Scott A. Neslin, Baohhong Sun, and Vanitha Swaminathan (2012), "The Joint Sales Impact of Frequency Reward and Customer Tier Components of Loyalty Programs," *Marketing Science*, Vol. 31 (2), 216–235.

Kwong, Jessica Y. Y., Dilip Soman, and Candy K.Y. Ho (2011), "The role of computational ease on the decision to spend loyalty program points," *Journal of Consumer Psychology*, Vol. 21 (2), 146–156.

Lal, Rajiv and David E. Bell (2003), "The Impact of Frequent Shopper Programs in Grocery Retailing," *Quantitative Marketing and Economics*, Vol. 1 (2), 179–202

Lewis, Michael (2004), "The Influence of Loyalty Programs and Short-Term Promotions on Customer Retention," *Journal of Marketing Research*, Vol. 41 (3), 281-292.

Liu, Yuping (2007), "The Long-Term Impact of Loyalty Programs on Consumer Purchase Behavior and Loyalty," *Journal of Marketing*, 71 (4), 19–35

Liu, Yuping and Rong Yang (2009), "Competing Loyalty Programs: Impact of Market Saturation, Market Share, and Category Expandability," *Journal of Marketing*, Vol. 73 (1), 93–108.

Melancon, Joanna P., Stephanie M. Noble, and Charles H. Noble (2011), "Managing rewards to enhance relational worth," *Journal of the Academy of Marketing Science*, Vol. 39 (3), 341–362.

Noble, Stephanie M. and Joanna Phillips (2004), "Relationship hindrance: why would consumers not want a relationship with a retailer?" *Journal of Retailing*, Vol. 80 (4), 289–303.

Noble, Stephanie M., Carol L. Esmark, and Charles H. Noble (2014), "Accumulation versus instant loyalty programs: The influence of controlling policies on customers' commitments," *Journal of Business Research*, Vol. 67 (3), 361–368

Nunes, Joseph C. and Xavier Drèze (2006), "Your Loyalty Program Is Betraying You," *Harvard Business Review*, Vol. 84 (4), 124–131.

PWC (2013), "*Loyalty analytics exposed: What every program manager needs to know*," PWC insurance industry publications.

Reinartz, Werner J. (2010), "*Understanding Customer Loyalty Programs*," in: Krafft, M.; Mantrala, M. K., eds., Retailing in the 21st Century: Current and Future Trends, Berlin, Heidelberg: Springer, 409–427.

Roehm, Michelle L. and Harper A. Roehm Jr. (2011), "The influence of redemption time frame on responses to incentives," *Journal of the Academy of Marketing Science*, Vol. 39 (3), 363–375.

Smith, Andrew and Leigh Sparks (2009), "Reward Redemption Behaviour in Retail Loyalty Schemes," *British Journal of Management*, Vol. 20 (2), 204–218.

Stauss, Bernd, Maxie Schmidt, and Andreas Schoeler (2005): "Customer frustration in loyalty programs," *International Journal of Service Industry Management*, Vol. 16 (3), 229–252.

Taylor, Gail A. and Scott A. Neslin (2005), "The current and future sales impact of a retail frequency reward program," *Journal of Retailing*, Vol. 81 (4), 293–305.

Wangenheim, Florian von and Tomás Bayón (2007), "Behavioral Consequences of Overbooking Service Capacity," *Journal of Marketing*, Vol. 71 (4), 36-47.

Whitman, Janet (2011), "*Now 30 Years Old, Frequent-Flier Plans Draw Consumer Ire*," (accessed June 23, 2014), [available at http://www.cnbc.com/id/42785178].

B2B Relationship Marketing – An assessment of the Nigerian SME-Bank Relationship

Mark Ojeme, Andrew Robson, and Nigel Coates
Newcastle Business School, Faculty of Business and Law, Northumbria University,UK

Keywords: SMEs, banks, commitment, B2B relationship marketing

Abstract

Customer commitment assessment is long acknowledged for establishing and maintaining long-term relationships both in the business-to-business (B2B) and business-to-consumer (B2C) literature. This paper contributes to the former through a relationship assessment between SMEs and their banks, an application that has received relatively little attention, novelty further enhanced here through focus on Nigerian businesses. This consideration is particularly worthwhile, given the recent service history afforded to SMEs from a banking sector exhibiting an image of crises and mismanagement (Agbonkpolor, 2010), but also where effective support for SMEs is crucial within a developing market economy.

Mutual commitment to relationship development and maintenance represents a major component in the foundations to successful and sustained B2B relationships (Morgan and Hunt, 1994). Relationship longevity is only possible where both parties provide continuity in their desire for relationship maintenance (Moorman *et al*., 1992). Commitment represents a complex construct, and as such, a crucial debate in the relationship marketing literature is the varied evaluation of commitment dimensionality (Cater and Zabkar, 2009). There is support for a three-dimensional evaluation, with the component parts being affective (emotionally driven), calculative (benefits driven) and normative commitment (morally driven) (Cater and Zabkar, 2009). In alternative

studies, a two-dimensional assessment is provided around the affective and calculative components (Davis-Sramek *et al*., 2009), whilst other studies propose a composite uni-dimensional presentation with its affective characteristics being dominant (Keh and Xie, 2009). Arguably, the most common approach appears to be the two dimensional assessment involving affective and calculative commitment (Jones, *et al*. 2007), with the rejection of the normative dimension being justified on the grounds of its relative lack of predictive capability (Cater and Zabkar, 2009). Through a piloting exercise involving almost 200 SMEs, an initial outcome of this study was retention of the affective and calculative commitment dimensions and removal of the normative component.

Through further assessment of the B2B literature, a conceptual framework for commitment has been developed. This comprised various antecedents, for affective commitment, trust and social bonding, for calculative commitment, benefit loss costs and attractiveness of alternatives, and a relationship outcome centred on customer behavioural intention providing a framework comprising of seven constructs.

The substantive primary study adapted measurements items from those presented in the extant literature. These include affective commitment, calculative commitment, and attractiveness of alternative (Bansal *et al*., 2004), trust (Coote *et al*., 2003), social bonding (Mavondo and Rodrigo, 2001) and benefit loss cost (Barroso and Picon, 2012). The survey instruments were distributed across three geographical zones of Nigeria, in the South-West, South and South-East of the country. The participating SMEs were supported by a team of trained interviewers to ensure completeness and consistency in the data collection. A total of 850 questionnaires were administered to SMEs owners or their senior finance employee across the three regions indicated. This resulted in 541 returns, representing a 64% response rate. Further reduction was made in response to incomplete questionnaires, leading to 491 useable records. The sample of SMEs participating in this study appear to be similar in profile and characteristics to the country's SME population, hence no further assessment for non-response has taken place. The subsequent analysis of the data involved a two-stage confirmatory factor analysis (CFA) to assess the reliability, validity and fit of the proposed model, followed by structural equation modelling (SEM) to test various hypotheses that underpin the proposed research framework.

The outcome of the CFA is a measurement model that comprises seven reliable and valid constructs with reliability indices ranging from 0.83 to 0.91 and average variance extracted values ranging from 0.50 to 0.70. In terms of fit indicates, the model developed appears to be very robust (X^2/df = 1.689, GFI = 0.94, CFI = 0.98, RMSEA = 0.03), which permits acceptance of the model based on the criteria above (Hair *et al*., 2010). In terms of the assessment of the structural equation model, modification was required given the counter-intuitively positive outcome between attractiveness of alternatives and calculative commitment. Consequently, it was deleted and the proposed hypothesis of a negative relationship between these two constructs was rejected. The amended SEM analysis resulted in a relatively high level of explained variance for affective and calculative commitment, as well as behavioural intention. The dominance of affective commitment over its calculative counterpart as an antecedent to behavioural intention accords with a number of recent studies (Cater and Cater, 2010).

Regarding the antecedents assessed in the commitment model, trust provided the greater contribution to the prediction of affective commitment. This suggests that the greater the level of bank reliability and honesty to their business during times of uncertainty and vulnerability, the better the building of close and emotional relationships by the SMEs as customers. Social bonding also had a statistically significant impact on affective commitment, whilst benefit loss costs was a significant antecedent to calculative commitment, although neither of the latter two paths was as strong.

The findings emerging from this study contribute the relationship marketing arena by extending commitment relationship assessment to an SME-banking application to an emerging economy setting where the performance of the banks in supporting small businesses have been subject to some criticism. Important findings that emerge from the work undertaken include the lack of relevance for the normative dimension of commitment, despite the collectivist mind set of the Nigerian people. In rejecting this commitment component, the study in its initial work endorses various recent works proposing a two-dimensional structure of commitment around its affective and calculative components (Davis *et al.,* 2009; Jain *et al.,* 2013**)**. Both affective and calculative commitments represent significant antecedents to customers' behavioural loyalty, with the role of the affective dimension being the stronger. From the model assessed, the path from trust to affective commitment to behavioural loyalty represents the most dominant relationships, whilst calculative commitment has a significant antecedent in benefit loss costs.

There is potential for future studies to employ the scales, model and analysis presented in this study. The valid and reliable scales could be employed in other SME-related studies in this sector of the Nigerian economy, for example across its manufacturing SMEs. The strength and nature of the relationships between SMEs and their banks could equally be explored in other non-western settings, particularly where such relationships have been subject to limited research or where the business relationships have been historically challenging.

References

Agbonkpolor, T. (2010). “Risk management and regulatory failures in banking: Reflections on the current banking crisis in Nigeria”. *Journal of Banking Regulation,* Vol. 11 Issue 2, pp.146 -155.

Bansal, H. S., Irving, P. G. and Taylor, (2004). "A three-component model of customer to service providers". *Journal of the Academy of Marketing Science,* Vol. 32 Issue 3, pp. 234-250.

Barroso, C., Picón, T., (2012). "Multi-dimensional analysis of perceived switching costs". *Industrial Marketing Management*, Vol. 41 Issue 3, pp. 531-543.

Cater, T., Cater, B. (2010). “Product and relationship quality influence on customer commitment and loyalty in B2B manufacturing relationships, *Industrial Marketing Management”*, Vol. 39, pp.1321-1333.

Cater, B. and Zabkar, V. (2009). “Antecedents and Consequences of Commitment in Marketing Research Services: The Client’s Perspective”. *Industrial Marketing Management*, Vol. 38 Issue 7, pp.785-797.

Coote, L. V., Forrest, E. J., and Tam, T. W. (2003). “An investigation into commitment in non-Western industrial marketing relationships”. *Industrial Marketing Management*, vol. *32*, issue 7, pp. 595-604.

Davis-Sramek, B., Droge, C., Mentzer, T.J., Myers, B.M., (2009). "Creating commitment and loyalty behaviour among retailers: what are the roles of service quality and satisfaction?" *Journal of the Academy of Marketing Science,* Vol. 37 Issue 4, pp. 440-454.

Hair, J.F., Black, W.C., Babin, B.J., Anderson, R.E. (2010). *Multivariate Data Analysis – A Global Perspective*, 7th Edition, New Jersey: Pearson Education.

Jones, M. A., Reynolds, E.R, Mothersbaugh, L.D. and Beatty, E.S. (2007). "The positive and negative effects of switching costs on relational outcomes". *Journal of Service Research,* Vol.9 Issue4, pp. 335-355.

Keh, T. H. and Xie, Y. (2009). “Corporate reputation and customer behavioural intentions: the role of trust, identification and commitment”. *Industrial Marketing Management*, Vol. 38 Issue 7, pp. 732-742.

Mavondo, F. T. and Rodrigo, E. M. (2001). “The effect of relationship dimensions on interpersonal and interorganizational commitment in organizations conducting business between Australia and China”. *Journal of Business Research*, Vol. 52 Issue 2, pp. 111-121.

Morgan, R.M. and Hunt, S.D. (1994). “The Commitment-trust Theory of Relationship Marketing”. *Journal of Marketing,* Vol. 58 Issue 3, pp.20-38.

Moorman, C., Zaltman, G., and Deshpande, R. (1992). “Relationships between providers and users of market research: Dynamics of trust within and between organizations”. *Journal of Marketing Research*, Vol. 29 Issue 3, pp.314-328.

Exit Strategy of Loyalty Programs

Lena-Marie Rehnen, Anton Meyer, and Silke Bartsch
Ludwig-Maximilians-Universität München, Institute of Marketing, Ludwigstraße 28, RG, 80539 München, Germany

Abstract:

Loyalty programs are a widespread marketing tool, but still their contribution is questioned. Yet from a marketing relationship perspective, they cannot be terminated easily and their elimination has to be reasoned. The article examines in what case a company quits its loyalty program. Therefore a Baysian learning model capturing this strategic decision is developed and discussed. First empirical results of a qualitative research approach, why and how a loyalty program is terminated and what the consequences for the customers are, conclude the paper.

Key Words:
Relationship dissolution – Loyalty Program – Exit Strategy –Learning Model

RESEARCH PROBLEM

Loyalty programs are a growing marketing tool in recent years. They are widespread across industries, such as hotel business, retailing and financial services (Dorotic, Bijmolt, & Verhoef, 2012; Jie Zhang & Breugelmans, 2012). In Germany for instance, 38 percent of the population are member of the multi-partner program Payback (Focus, 2012).

Still, the remaining question is whether loyalty programs represent an effective marketing tool at all and whether their implementation and maintenance is worth all the money and resources. Do they really increase loyalty and hence profits (Dowling & Uncles, 1997; Shugan, 2005)? Or do companies hold on to the program only because other competitors offer such programs (Leenheer & Bijmolt, 2003)? A common argument in the loyalty program literature is, that it does not have any marketing impact, because in a competitive market every player offers such a program and thus the market comes back to stasis (Leenheer, van Heerde, Bijmolt, & Smidts, 2007; Meyer-Waarden, 2007; Meyer-Waarden &

Benavent, 2009; Meyer-Waarden, Benavent, & Castéran, 2013). Competition is one of the major reasons to exit a market (Karakaya, 2000), but here it is one of the major reasons to stay in the market. Firms learn and adapt from competitors that offering a loyalty program is a good strategy. They reproduce successful actions of others, which results in a bias against alternatives. Risk aversion can explain why firms stick to their current loyalty program and do not consider withdrawing from it (Denrell & March, 2001), which might be a better strategy regarding costs and customer acceptance. New alternatives do not have a chance, since a termination is a risky option if all competitors offer a loyalty program. This could be the reason why firms stay with such a suboptimal solution.

There have been recent examples where companies quit their loyalty program. May it be the termination of a stand-alone program, the exit from a multi-partner program or the termination of a completely multi-partner program. In the media one can find various reasons for the termination such as cost efficiency, diminishing customer interest, unattractive reward system, a missing fit between the company's and the program's strategy or the exit of top partners in a multi-partner program (Jansen, 2004; Kumar & Reinartz, 2012; Schulz-Margeth, 2004; Weber, 2009).

But one has to consider that a loyalty program cannot enter and exit the market as easy as breakfast cereals (Hitsch, 2006). By using a loyalty program a long-lasting relationship with a high attitudinal loyalty (Bolton, Kannan, & Bramlett, 2000) between the company and the customer is established (Hennig-Thurau, 2000; Morgan & Hunt, 1994; Odekerken-Schröder, Hennig-Thurau, & Knaevelsrud, 2010). This long-term commitment is a major barrier to exit (Gundlach, Achrol, & Mentzer, 1995) an existing loyalty program.

Although the literature on loyalty programs has undergone tremendous development during the last 15 years, the termination of a loyalty program has not been a popular research topic so far (Dorotic et al., 2012). There has only been one study regarding the possible consequences for customers after the termination of a loyalty program in a hypothetical case (Melnyk, 2005). In order to answer the research question entirely one also needs to evaluate the reasons why and how loyalty programs are terminated and what are the actual behavioral consequences of a withdrawal. The focus of this paper is to develop a Baysian learning model that captures the strategic decision of a company, which offers a loyalty program as a marketing tool, whether to stay with this program or to exit from this type of strategy. Based on learning models in marketing science, the decision process of exiting a loyalty program is modelled and discussed. Furthermore, first insights of a qualitative study with former marketing managers of a terminated loyalty program, regarding the question why and how their program was shut down and what the customers' reactions were, are given.

MODELLING THE EXIT FROM LOYALTY PROGRAMS

The model comprises two parts: The first part gives a description about the periodical decision to stay or to exit, followed by the evaluation of the learning procedure in the second part.

Exit Decision

The starting situation is company i (i = 1,2,…,I) operating in market m (m = 1,2,…,M) at point t (t = 1,2,…,T_{im}). In the first period, the focal company does already offer a loyalty program. The decision about the introduction of the loyalty program is obsolete. Now the company faces the question whether to leave this strategy and stop the program or to continue the program. Other model assumptions are that one does not count for costs of divestment (Nargundkar & Karakaya, 1996) or attitudes of managers (Biyalogorsky, Boulding, & Staelin, 2006; Yuen Kong & Hamilton, 1993). The decision is based on several information: First, the company looks at *current information*, which can be firm- and market-specific. *Firm-specific information* F_{imt} comprises figures such as current sales, current number of loyalty cardholders, the number of times the loyalty card is used and the number of points or rewards redeemed, depending on the program form. These are “hard” facts. Central information out of a loyalty program are customer insights, which have to be managed effectively in form of individual offers. Hence, higher sales are expected and one can say that the advantage of customer insights is reflected in better sales figures and is thus part of the firm-specific information. As loyalty programs shall not only increase behavioral loyalty (Lemon & Wangenheim, 2009), but also attitudinal loyalty (Liu, 2007), “soft” information such as customer satisfaction and referral intensity should additionally be evaluated for the decision to stay or to quit the program.

Furthermore *market specific information* M_{imt} such as business cycle (Chang, 1996), competitive constraints (Kim, Bridges, & Srivastava, 1999), price pressure and general decline in demand (Gupta, 1987) indicate the general attractiveness of the market and therefore the overall intent to invest in marketing tools.

But the central indicator remains sales, as the main goal of a loyalty program is to change the customers’ purchase behavior positively (Jie Zhang & Breugelmans, 2012). A malfunction of that can be equal to poor product performance that often motivates companies to exit markets as profitability lacks (Chang, 1996).

Secondly, the company takes aspirations of future sales development, after a decision about the exit is made, into account. According to Ching, Erdem, and Keane (2013) this represents a forward-looking dimension in a learning model. Not only does the current market- and firm-specific information influence the decision to stay or to exit, but also the future aspirations (Gaba & Terlaak, 2013). This argumentation is in line with economic market exit decisions, where the expected present value of staying in the market influences the current decision (Ansic & Pugh, 1999).

Regarding theoretical considerations, it is not clear how sales of a company - offering a loyalty program - change after terminating this program. They can develop in either direction (Karakaya, 2000): A very obvious development is a sales decline. Theoretically, this can be explained by the prospect theory, as subjects are loss avers and give more value to losses – in this case the forfeiture of the loyalty program – than to gains (Kahneman & Tversky, 1979). Additionally, they exhibit negative emotions after the loyalty program is terminated (Wagner, Hennig-Thurau, & Rudolph, 2009). A sales decline is also possible as consumers have been loyal to the program and not towards the company (Evanschitzky et al., 2012; Meyer-Waarden, 2007; Youjae & Hoseong, 2003) and are more price sensitive after being member of a loyalty program (Mela, Gupta, & Lehmann, 1997). In line with self-perception theory (Bem, 1967), the purchase at this specific store was attributed to a lower price, which fades away after a loyalty program termination (Kahn & Louie, 1990), as customers do not get their discount anymore.

Differently, a continuation or increase of sales figures is possible. This can be explained by a strong and emotional relationship between the company and its customers (Hennig-Thurau, 2000; Morgan & Hunt, 1994; Odekerken-Schröder et al., 2010), i.e. if the aim of the loyalty program is fulfilled, customers become loyal, which consequently outweighs possible negative marketing effects of the loyalty program termination. An example for this are the positive long-term effects of sponsoring activities after terminating this engagement (Mason & Cochetel, 2006). A forgoing missing strategic fit of the loyalty program towards the company (Daryanto, Ruyter, Wetzels, & Patterson, 2010; Karakaya, 2000) or a differentiation to its competitors can also alter the consumer behavior positively after termination. The sales development in case of a program continuation can be explained reversely.

In order to capture those different and uncertain effects a herding model is adapted. This means that the firm updates its information inferred from observing the actions of others

(Gaba & Terlaak, 2013; Hitsch, 2006; Kennedy, 2002; Juanjuan Zhang, 2010), as uncertainty leads to imitation (Greve, 1996). In a theoretical sense this can be argued by neo-institutionalism, in which firms imitate the exit decision of others to secure legitimacy (DiMaggio & Powell, 1983). This procedure can be adopted from the literature on firm exit decisions and is especially prevalent for decisions under uncertainty that are idiosyncratic to the firm and not to the market, as it is here the case. (Gaba & Terlaak, 2013). Applying this strategy the focal firm observes whether direct competitors introduce or terminate a loyalty program. In this sense, if many competitors stop their loyalty program, the focal company should also terminate its program. Talking in the language of Erdem and Keane (1996) this can be seen as an exogenous signal or source of information.

Opposing, many loyalty program introductions mean that the focal company should continue its loyalty program, as a termination expects a negative sales development. This is in line with the common observation that in a competitive market every player offers a loyalty program and thus imitates competitors (Meyer-Waarden et al., 2013), as for example in the airport industry, where it will be difficult to find airlines without a loyalty program (Liu & Yang, 2009). Furthermore, the most important output of loyalty programs, i.e. customer insights, can be seen as tremendously valuable because competitors do not withdraw from their loyalty program. If customer insights did not bring any merit, competitors would stop using their program.

In line with the market exit model by Dixit and Chintagunta (2007) these aspirational information on how sales will change if the program is not terminated present the *intrinsic attractiveness of still offering a loyalty program in the next period:* $\tilde{A}_{im(t+1)}$. The intrinsic attractiveness cannot be observed directly, but is only updated by other firm's introduction and withdrawal of their loyalty program and thus the focal firm has some beliefs about the market attractiveness and sales development for the next period. It is assumed that this signal is a random variable which is normally distributed (Camacho, Donkers, & Stremersch, 2011):

$\tilde{A}_{im(t+1)} \sim N(\bar{A}_{im(t+1)}, \sigma_{imt})$

Where the mean $\bar{A}_{im(t+1)}$ represents the most likely occurrence and the variance σ_{imt} the firms uncertainty about their future aspirations (Biyalogorsky et al., 2006). In functional terms, the mean belief about the intrinsic attractiveness $\bar{A}_{im(t+1)}$ for company i operating in market m for loyalty programs is a function of the current exits and entries of loyalty programs in the market at point t:

$\bar{A}_{im(t+1)} = \lambda_{it} + \alpha_m EXIT_{mt} + \delta_m ENTRY_{mt} + \nu_m$

Where λ_{it} presents a firm-specific parameter, α_m and δ_m the influence of the exits and entries and ν_m a market-specific parameter that influences the mean belief (Dixit & Chintagunta, 2007). In order to operate the parameter $\tilde{A}_{im(t+1)}$, say how sales will change if the program is not terminated, one has to distinguish the two cases: If there are many exits of loyalty programs, the intrinsic attractiveness will be negative if the focal company stays with its loyalty programs. Vice versa if there are many entries, the intrinsic attractiveness will increase if the focal company continues its program.

Regarding these *two types of information* the overall attractiveness for the firm i in market m to stay with the loyalty program at period t can be denoted as π_{imt}. In each period, the focal company evaluates the attractiveness in contrast to some threshold level $\bar{\pi}_{imt}$. They stay with their loyalty program if $\pi_{imt} \geq \bar{\pi}_{imt}$ and exit if the inequality is reversed (Dixit & Chintagunta, 2007). π_{imt} can be approximated as:

$\pi_{imt} = E(\mu_{t+1} \tilde{A}_{im(t+1)} + \beta_m F_{imt} + \gamma_m M_{imt} + \varepsilon_{imt})$

Where μ_{t+1} is a discount factor, β_m and γ_m present the influence of the firm and market-specific information and ε_{imt} describes other unobserved factors that influence the attractiveness of staying with a loyalty program. By assuming a mean intrinsic attractiveness $\overline{A}_{im(t+1)}$ the expectation operator can be left out and π_{imt} can be written as:

$$\pi_{imt} = \mu_{t+1}\,\overline{A}_{im(t+1)} + \beta_m F_{imt} + \gamma_m M_{imt} + \varepsilon_{imt}$$

If one assumes that ε_{imt} is i.i.d. with type I extreme value distribution (Coscelli & Shum, 2004), the probability that the firm stays with its loyalty program is

$$P_{imt} = \frac{\exp(\mu_{t+1}\,\overline{A}_{im(t+1)} + \beta_m F_{imt} + \gamma_m M_{imt})}{1 - \exp(\mu_{t+1}\,\overline{A}_{im(t+1)} + \beta_m F_{imt} + \gamma_m M_{imt})}$$

Thus the probability of exit is $1\text{-}P_{imt}$. The model does not present a utility function with an optimization problem, as it rather focuses on making a decision with a certain probability, whereby a binary logit model is used (Dixit & Chintagunta, 2007; Gaba & Terlaak, 2013). Hence in each period the focal firm bases its exit decision on firm- and market-specific information, say current sales figures, and aspirations of future sales development, which are updated by inferences from exit and entry decisions of other firms (Gaba & Terlaak, 2013). This can be seen in figure one.

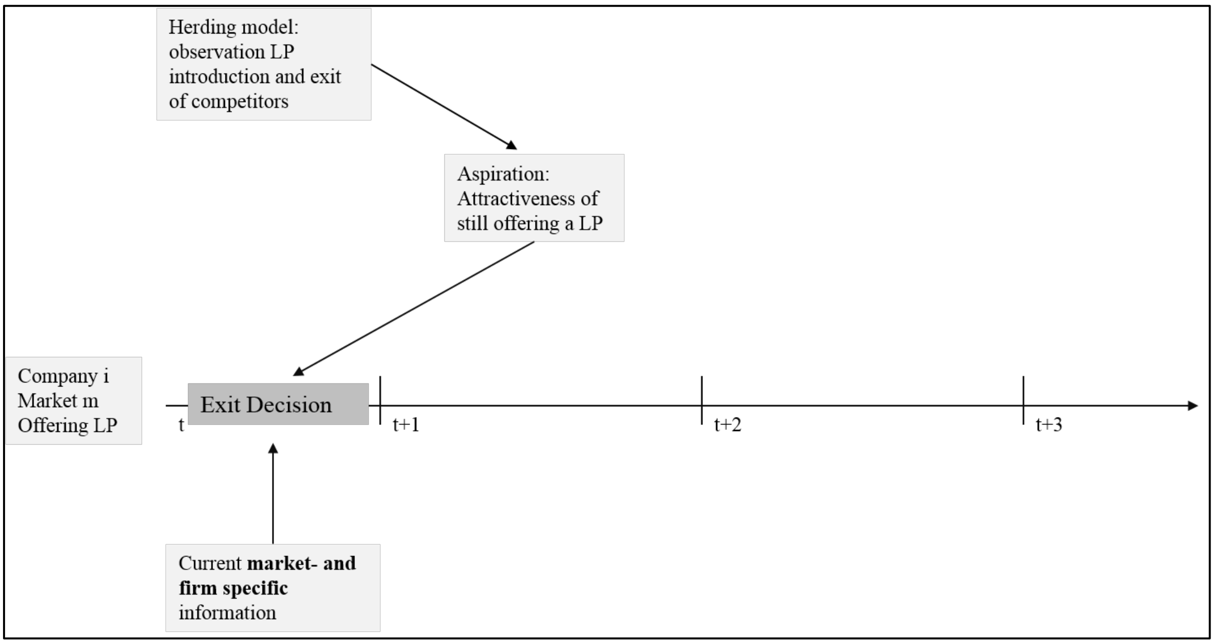


Figure 1

According to the four dimensions by Ching et al. (2013) these information describe the source of information which they update in a Baysian manner. They are from the same attributes, i.e. loyalty programs (Erdem & Swait, 1998). This can also be named correlated learning (Ching et al., 2013).

As risk aversion (Denrell & March, 2001) might in general be a major obstacle for firms to terminate an existing loyalty program, in this model subjects are assumed to behave linear and rational in their decision (Ching et al., 2013). They have the temporal and cognitive ability to evaluate the strategic decision based on the given information. This is a common practice in Bayesian learning models (Camacho et al., 2011; Crawford & Shum, 2005; Narayanan & Manchanda, 2009).

Learning Mechanism

In each period the probability function is updated by new information. The firm's belief about the right strategic decision is based on this new information and the prior beliefs from the forgoing periods (Camacho et al., 2011). The current market- and firm-specific information (M_{imt}; F_{imt}) are given in each period, but the belief about the intrinsic attractiveness of offering a loyalty program in the next period is not only a function of preceding exits and entries of competitors, but also a function of the belief about the intrinsic attractiveness in the former period and all the market- and firm-specific information received in the previous period (Biyalogorsky et al., 2006).

$$\hat{A}_{im(t+1)} = \lambda_{it} + \alpha_m \, EXIT_{mt} + \delta_m \, ENTRY_{mt} + \nu_m + \overline{A}_{imt} + (\delta_m \, F_{im(t-1)} + \gamma_m \, M_{im(t-1)})$$

In figure two one can see how the beliefs about the exit decision of a loyalty program is updated each period. It can be argued that the exit decision in the current period is determined by the exit decision in the former period, as the information in the former period (firm- and market specific information as well as future aspirations) influence the aspiration in the preceding period. Hence one can presume that the variance σ_{imt} of the intrinsic attractiveness gets smaller over time (Hitsch, 2006).

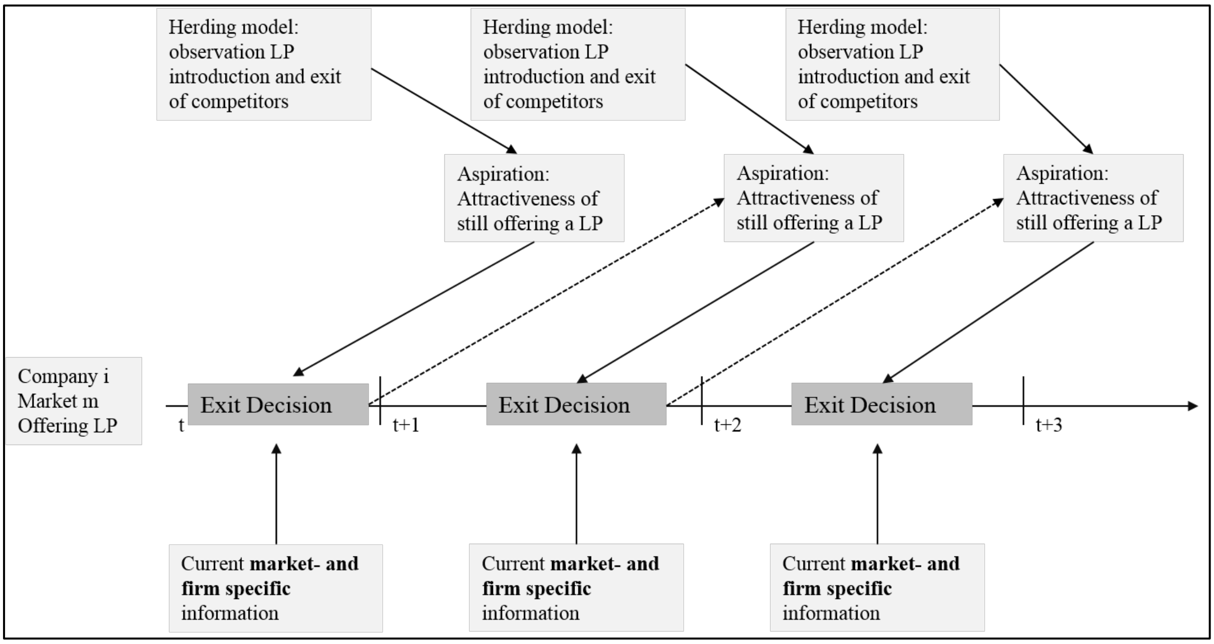


Figure 2

Thus the likelihood function (Dixit & Chintagunta, 2007) for period t for company i operating in market m and offering a loyalty program can be written as

$$L_{im} = \prod_{k=1}^{t} P_{imt}$$

Each period firms observe firm- and market-specific information and update their beliefs about the intrinsic attractiveness of the future market for loyalty programs by observing competitors. The belief is backed up by information from the previous period. In each period, an overall attractiveness of continuing the loyalty program π_{imt} can be derived and compared to some threshold level $\bar{\pi}_{imt}$. Then, a decision to stop or continue the program is made. If the company stops the program in some period t, the model and its updating process terminate. If the company continues its program, it faces the strategic decision every period and thus the company gets more and more secure over time about this decision to stop or continue its loyalty program. The effect becomes bigger in every round, what reflects the statement of the process in the proposed model.

Model Extension I

Putting salience parameters on the differing information can extend the model. In line with Camacho et al. (2011) a salience effect is argued by the occurrence of a certain event, such as the medical treatment switch by a patient which puts more weight on the information processing for the physician. In our case, the introduction of salience parameters can be argued by a confirmatory bias (Boulding, Kalra, & Staelin, 1999; Camacho et al., 2011; Mehta, Xinlei, & Narasimhan, 2008). If the focal company expects higher sales in the next period and this occurs indeed, they will put more weight on the information of current sales than on the aspirations, which are updated by competitors.

Differently, if many competitors start a new loyalty program and the customer insights out of the focal company's loyalty program yield distinct benefits, the updated beliefs on the intrinsic attractiveness will be weighted higher. The salience factor ω_{imt} weighs the different influence of current market- and firm-specific information and updated beliefs on the intrinsic attractiveness. Thus the overall attractiveness of staying with the loyalty program is

$\pi^{w}_{imt} = \omega_{imt} (\mu_{t+1} \overline{A}_{imt}) + (1-\omega_{imt}) (\beta_m F_{imt} + \gamma_m M_{imt}) + \varepsilon_{imt}$

By modelling theses salience effects, the proposed model has to be claimed a quasi-Baysian learning model and is a nested model of the first version (Camacho et al., 2011).

The salience effects can also be interpreted in sense of a discount model. A higher value for ω_{imt} weighs future variables more than current figures. Thus, one can think of various scenarios for the overall attractiveness of the market π_{imt} if one looks at changes of the focal parameters:

1. If current information have a positive development, say increasing sales figures, but a lot of competitors withdraw their loyalty program, the focal company will only exit if $\omega_{imt} > 0,5$, thus if more weight is put on future negative aspirations than on current positive observations.

2. Differently, if there is a negative sales development but very positive future aspiration, the focal firm will only exit if $\omega_{imt} < 0{,}5$, say if there is not much importance given to future aspirations.

Model Extension II

Another possible model extension is the inclusion of a program change after the evaluation of the market attractiveness. As the basic model is presumed, there is only one type of loyalty program. But actually there are many different types of loyalty programs depending e.g. on the reward type and the program system (Drèze & Nunes, 2004; Kivetz & Simonson, 2003; Meyer-Waarden et al., 2013), the affiliation to a multi-vendor loyalty program instead of a stand-alone loyalty program (Dorotic, Fok, Verhoef, & Bijmolt, 2011; Evanschitzky et al., 2012; Lemon & Wangenheim, 2009; Rese, Hundertmark, Schimmelpfennig, & Schons, 2013; Schumann, Wünderlich, & Evanschitzky, 2014) or the implementation of hierarchical customer treatments (Wagner et al., 2009). Therefore j=1,2,…K different combinations and specifications can be presumed and the intrinsic attractiveness of still offering a loyalty program in the next period differs for different types of loyalty programs:

$\bar{A}_{im(t+1)j} = \lambda_{it} + \alpha_m \, EXIT_{mtj} + \delta_m \, ENTRY_{mtj} + \nu_m$

The intrinsic attractiveness to offer a loyalty program does not only depend on the exits and entries of loyalty programs in a given market m, but also on the type of loyalty programs which dominate or vanish in a given market. An example would be the airline industry, where stand-alone programs are rare, but airlines often offer a multi-vendor loyalty program in combination with other travel vendors such as rental car companies.

Thus, also the overall attractiveness changes to

$\pi_{imtj} = \mu_{t+1} \, \bar{A}_{im(t+1)j} + \beta_m \, F_{imtj} + \gamma_m \, M_{imt} + \varepsilon_{imt}$

Firm-specific information depend on the current type of the loyalty program, but market specific information such as business cycle (Chang, 1996) do not vary for different specifications. Integrating different types of loyalty programs the model does not only capture the strategic decision to exit or stay with its current loyalty program, but extents to a third option: The change of the program.

Therefore, three different levels of overall attractiveness have to be assumed:

- π_{imtj}: the current overall attractiveness for company i in market m to stay with its loyalty program j at point t
- $\bar{\pi}_{imtk}$: threshold level of the overall market attractiveness with loyalty program k
- $\bar{\pi}_{imtj}$: threshold level of the overall market attractiveness with loyalty program j

Thus the various scenarios to exit from the current loyalty program, to stay with the current loyalty program or to change the current type of loyalty program j to a loyalty program k are:

1. Company i operating in market m at point t changes its type of loyalty program from j to k if $\bar{\pi}_{imtk} > \pi_{imtj} >= \bar{\pi}_{imtj}$
2. Company i operating in market m at point t stays with its loyalty program if $\pi_{imtj} > \bar{\pi}_{imtk}$ and $\pi_{imtj} > \bar{\pi}_{imtj}$
3. Company i operating in market m at point t exits from its loyalty program and does not implement a different type of loyalty program if $\bar{\pi}_{imtk} < \pi_{imtj} < \bar{\pi}_{imtj}$

MODEL DISCUSSION AND FIRST EMPIRICAL RESULTS

In order to prove this model empirically one would need a very specific data set. Similar to the study by Gaba and Terlaak (2013), who put forward a herding model of exit decisions based on the exit of private venture capital firms, this has to be a longer term panel data set with information on starting and terminating a loyalty program. Furthermore data on the sales development and the market compositions, i.e. who is competitor to who, is needed. As loyalty programs are highly prevalent in the last fifteen years (Dorotic et al., 2012) and only recently companies start to abandon this tool, good data bases do not exist yet. By applying a panel data set to this model, heterogeneity is accounted for (Dixit & Chintagunta, 2007) and the importance of each market and firm specific factor can be calculated (Biyalogorsky et al., 2006).

The presented model adapts Baysian and herding learning models of exit decisions, but differs, as the exit decision is only a withdrawal from a certain marketing tool, not from a whole market. A forward looking perspective is adapted (Ching et al., 2013), as also the result of the decision in the future is included in the information set. Thus the model can be transferred to a withdrawal of other marketing activities or the decision to put forward a brand or product extension. The generality of this model is that a decision is made on the same type of information, here the sales figure of a company, which offers a loyalty program, for current and future points in time. Moreover, the fast forward information already includes a possible decision outcome. Therefore, the model can be applied to other strategic decisions, for example in management and organization science such as hiring new employees or introducing new technologies.

As a limitation this model does not capture risk aversion (Camacho et al., 2011; Coscelli & Shum, 2004). The way the model is presented, the strategic decision is based on a Baysian learning model and agents are assumed to update their beliefs given new and previous information in a rational manner. By doing so one can better evaluate under what circumstances firms should stop a program but are not doing so. On the other hand, one can ask how realistic the model is without counting for risk aversion. Thus further research should extend this model by including risk aversion and bounded rationality in the decision process (Coscelli & Shum, 2004; Erdem & Keane, 1996). Another limitation is whether all necessary signals for this strategic decision are taken into account or whether there are unobserved signals that might influence the decision strongly.

As a quantitative verification of the model is not yet possible, we further applied a qualitative approach to investigate empirically why and how a loyalty program is terminated. Therefore, we compared different companies in Germany, which terminated their program, and are currently conducting qualitative interviews with former marketing managers of these programs (Challagalla, Murtha, & Jaworski, 2014; Fournier, 1998). So far, we finished eight interviews and evaluate them according to Mayring (2003). The sampling covers all possible cases: the termination of a stand-alone program, the exit from a multi-partner program (interviews with former partners) and the termination of a completely multi-partner-program (interviews with former partners and associates). Guidelines for the interviews where the questions how the termination was discussed and decided, what role the internal management acceptance played (Ritter & Geersbro, 2011), how the companies informed their employees and their customers of this termination (Balachandra, Brockhoff, & Pearson, 1996) and how the process of phasing out was conducted (Sea Jin & Singh, 1999).

The results indicate that first signs of a termination were the decreasing customers' acceptance of the program (3/8), the irrelevance of the customer data (2/8), the unsuccessful acquisition of new partners (3/8) and missing industrial sectors such as gas stations (3/8) in multi-vendor programs.

After identifying this situation, managers first tried to improve and adjust the program (5/8) (Ritter & Geersbro, 2011), but then installed a deadline until the decision to terminate the program has to be made (2/8). Main reasons to terminate the loyalty program were the missing cost-benefit relation (4/8) and the exit of important partners in a multi-vendor program (2/8). Most of the times (4/8) the associates of the program running company were involved in the termination decision, not partners.

Regarding the exit strategy (Balachandra et al., 1996), a detailed plan was developed (4/8) how to deal with legal issues, such as data archiving (3/8), denouncement of partners and service providers (4/8), and the final redemption time for the loyalty points (4/8) (Sea Jin & Singh, 1999). One important issue, that was mentioned quite often, was the prescribed terminology for employees and call centers (6/8). Companies informed their customers (Sea Jin & Singh, 1999) via direct mailings (6/8) and press releases (3/8), but the wording was very scarce and often without reasoning (4/8). Surprisingly, the customers' reaction was very indifferent (7/8). Some regretted the termination of the program, but negative reactions and image damages for the focal company could not be observed. In contrast to the literature on post-termination responses of brand relationships (Odekerken-Schröder et al., 2010), this is astonishing.

Furthermore, we undertook a pre-study regarding the customers' reactions towards loyalty program terminations, conducting in-depth interviews with 10 customers of former loyalty programs (Fournier & Yao, 1997; Odekerken-Schröder et al., 2010). As there are not much terminations of a loyalty program in Germany, the focal programs were mainly the same as in the preceding interviews. Customers' reactions are congruent with the information of the managers. Only 3 out of 10 subjects regretted the termination or expressed negative reactions. In general, the customer behavior did not change after the termination (6/10), as they routinely stayed with the company.

Answering this research question is important both from a managerial and theoretical angle. Marketing managers are often faced with strategic questions, which answers will have a long-term impact for the focal company. In the case of loyalty programs, this research can give hints of how and when a loyalty program shall be terminated. The empirical results show that the impact of the termination on the consumer behavior is not significant negative. Thus, managers do not have to dread the termination of their loyalty program regarding customers' reaction. Still the case can be different today as social media enables faster und uncontrollable communication (Hennig-Thurau et al., 2010).

Current literature on customer relationship focuses normally on the existing relationship and shows how to shape this relationship, e.g. the design of the loyalty rewards (Jie Zhang & Breugelmans, 2012). The theoretical impact of this research question is the evaluation of the strategic decision to terminate a loyalty program and its following post-termination relationship. This is especially interesting as a loyalty program is a marketing tool which aim is to build a strong relationship. By investigating the post-termination phase it can be seen that the relationship between the company and the customer was not so strong as to change the customers behavior. Thus, the research question has a strong theoretical contribution for relationship marketing (Morgan & Hunt, 1994) and the general discussion on the effectiveness of loyalty programs (Dowling & Uncles, 1997; Shugan, 2005).

REFERENCES

Ansic, D., & Pugh, G. (1999). An experimental test of trade hysteresis: market exit and entry decisions in the presence of. *Applied Economics, 31*(4), 427-436.

Balachandra, R., Brockhoff, K. K., & Pearson, A. W. (1996). R&D Project Termination Decisions: Processes, Communication, and Personnel Changes. *Journal of Product Innovation Management, 13*(3), 245-256.

Bem, D. J. (1967). Self-perception: An alternative interpretation of cognitive dissonance phenomena. *Psychological review, 74*(3), 183.

Biyalogorsky, E., Boulding, W., & Staelin, R. (2006). Stuck in the past: Why managers persist with new product failures. *Journal of Marketing*, 108-121.

Bolton, R. N., Kannan, R. K., & Bramlett, M. D. (2000). Implications of Loyalty Program Membership and Service Experiences for Customer Retention and Value. *Journal of the Academy of Marketing Science, 28*(1), 95.

Boulding, W., Kalra, A., & Staelin, R. (1999). The Quality Double Whammy. *Marketing Science, 18*(4), 463-484.

Camacho, N., Donkers, B., & Stremersch, S. (2011). Predictably Non-Bayesian: Quantifying Salience Effects in Physician Learning About Drug Quality. *Marketing Science, 30*(2), 305-320.

Challagalla, G., Murtha, B. R., & Jaworski, B. (2014). Marketing Doctrine: A Principles-Based Approach to Guiding Marketing Decision Making in Firms. *Journal of Marketing, 78*, 4-20.

Chang, S. J. (1996). AN EVOLUTIONARY PERSPECTIVE ON DIVERSIFICATION AND CORPORATE RESTRUCTURING: ENTRY, EXIT, AND ECONOMIC PERFORMANCE DURING 1981-89. *Strategic Management Journal, 17*(8), 587-611.

Ching, A. T., Erdem, T., & Keane, M. P. (2013). Invited Paper—Learning Models: An Assessment of Progress, Challenges, and New Developments. *Marketing Science, 32*(6), 913-938.

Coscelli, A., & Shum, M. (2004). An empirical model of learning and patient spillovers in new drug entry. *Journal of Econometrics, 122*(2), 213-246.

Crawford, G. S., & Shum, M. (2005). Uncertainty and learning in pharmaceutical demand. *Econometrica, 73*(4), 1137-1173.

Daryanto, A., Ruyter, K., Wetzels, M., & Patterson, P. (2010). Service firms and customer loyalty programs: a regulatory fit perspective of reward preferences in a health club setting. *Journal of the Academy of Marketing Science, 38*(5), 604-616.

Denrell, J., & March, J. G. (2001). Adaptation as Information Restriction: The Hot Stove Effect. *Organization Science, 12*(5), 523-538.

DiMaggio, P. J., & Powell, W. W. (1983). THE IRON CAGE REVISITED: INSTITUTIONAL ISOMORPHISM AND COLLECTIVE RATIONALITY IN ORGANIZATIONAL FIELDS. *American sociological review, 48*(2), 147-160.

Dixit, A., & Chintagunta, P. K. (2007). Learning and Exit Behavior of New Entrant Discount Airlines from City-Pair Markets. *Journal of Marketing, 71*(2), 150-168.

Dorotic, M., Bijmolt, T. H. A., & Verhoef, P. C. (2012). Loyalty Programmes: Current Knowledge and Research Directions*. *International Journal of Management Reviews, 14*(3), 217-237.

Dorotic, M., Fok, D., Verhoef, P., & Bijmolt, T. (2011). Do vendors benefit from promotions in a multi-vendor loyalty program? *Marketing Letters, 22*(4), 341-356.

Dowling, G. R., & Uncles, M. (1997). Do Customer Loyalty Programs Really Work? *Sloan Management Review, 38*(4), 71-82.

Drèze, X., & Nunes, J. C. (2004). Using Combined-Currency Prices to Lower Consumers' Perceived Cost. *Journal of Marketing Research (JMR), 41*(1), 59-72.

Erdem, T., & Keane, M. P. (1996). Decision-making under uncertainty: Capturing dynamic brand choice processes in turbulent consumer goods markets. *Marketing Science, 15*(1), 1-20.

Erdem, T., & Swait, J. (1998). Brand Equity as a Signaling Phenomenon. *Journal of COnsumer Psychology, 7*(2), 131-157.
Evanschitzky, H., Ramaseshan, B., Woisetschläger, D., Richelsen, V., Blut, M., & Backhaus, C. (2012). Consequences of customer loyalty to the loyalty program and to the company. *Journal of the Academy of Marketing Science, 40*(5), 625-638.
Focus. (2012). 21.02.2013, from http://de.statista.com.eaccess.ub.tum.de/statistik/daten/studie/247004/umfrage/die-verbreitung-von-bonus-und-rabattkarten-in-deutschland/
Fournier, S. (1998). Consumers and Their Brands: Developing Relationship Theory in Consumer Research. *Journal of Consumer Research, 24*(4), 343-373.
Fournier, S., & Yao, J. L. (1997). Reviving brand loyalty: A reconceptualization within the framework of consumer -- brand relationships. *International Journal of Research in Marketing, 14*(5), 451-472.
Gaba, V., & Terlaak, A. (2013). Decomposing Uncertainty and Its Effects on Imitation in Firm Exit Decisions. *Organization Science, 24*(6), 1847-1869.
Greve, H. R. (1996). Patterns of Competition: The Diffusion of a Market Position in Radio Broadcasting. *Administrative Science Quarterly, 41*(1), 29-60.
Gundlach, G. T., Achrol, R. S., & Mentzer, J. T. (1995). The structure of commitment in exchange. *Journal of Marketing, 59*(1), 78.
Gupta, Y. P. (1987). Technical Paper: A Theoretical Model for Product Elimination Decisions. *International Journal of Operations & Production Management, 7*(3), 59-68.
Hennig-Thurau, T. (2000). Relationship Quality and Customer Retention through Strategic Communication of Customer Skills. *Journal of Marketing Management, 16*(1-3), 55-79.
Hennig-Thurau, T., Malthouse, E. C., Friege, C., Gensler, S., Lobschat, L., Rangaswamy, A., & Skiera, B. (2010). The Impact of New Media on Customer Relationships. *Journal of Service Research, 13*(3), 311-330.
Hitsch, G. J. (2006). An empirical model of optimal dynamic product launch and exit under demand uncertainty. *Marketing Science, 25*(1), 25-50.
Jansen, F. (2004). *Customer Retention Programs*. München: GRIN Verlag.
Kahn, B. E., & Louie, T. A. (1990). Effects of Retraction of Price Promotions on Brand Choice Behavior for Variety-Seeking and Last-Purchase-Loyal Consumers. *Journal of Marketing Research (JMR), 27*(3), 279-289.
Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica: Journal of the Econometric Society*, 263-291.
Karakaya, F. (2000). Market exit and barriers to exit: Theory and practice. *Psychology & Marketing, 17*(8), 651-668.
Kennedy, R. E. (2002). Strategy Fads and Competitive Convergence: An Empirical Test for Herd Behavior in Prime-Time Television Programming. *The Journal of Industrial Economics, 50*(1), 57-84.
Kim, N., Bridges, E., & Srivastava, R. K. (1999). A simultaneous model for innovative product category sales diffusion and competitive dynamics. *International Journal of Research in Marketing, 16*(2), 95-111.
Kivetz, R. A. N., & Simonson, I. (2003). The Idiosyncratic Fit Heuristic: Effort Advantage as a Determinant of Consumer Response to Loyalty Programs. *Journal of Marketing Research (JMR), 40*(4), 454-467.
Kumar, V., & Reinartz, W. (2012). *Customer Relationship Management: Concept, Strategy, and Tools*. Heidelberg: Springer.
Leenheer, J., & Bijmolt, T. H. A. (2003). Adoption and Effectiveness of Loyalty Programs: A Retailer's Perspective. *MSI Working Paper Series, 03-004*(4), 91-109.
Leenheer, J., van Heerde, H. J., Bijmolt, T. H. A., & Smidts, A. (2007). Do loyalty programs really enhance behavioral loyalty? An empirical analysis accounting for self-selecting members. *International Journal of Research in Marketing, 24*(1), 31-47.

Lemon, K. N., & Wangenheim, F. v. (2009). The Reinforcing Effects of Loyalty Program Partnerships and Core Service Usage: A Longitudinal Analysis. *Journal of Service Research, 11*(4), 357-370.

Liu, Y. (2007). The Long-Term Impact of Loyalty Programs on Consumer Purchase Behavior and Loyalty. *Journal of Marketing, 71*(4), 19-35.

Liu, Y., & Yang, R. (2009). Competing Loyalty Programs: Impact of Market Saturation, Market Share, and Category Expandability. *Journal of Marketing, 73*(1), 93-108.

Mason, R. B., & Cochetel, F. (2006). Residual Brand Awareness Following the Termination of a Long-term Event Sponsorship and the Appointment of a New Sponsor. *Journal of Marketing Communications, 12*(2), 125-144.

Mayring, P. (2003). *Qualitative inhaltsanalyse*. Landsberg: Beltz.

Mehta, N., Xinlei, C., & Narasimhan, O. (2008). Informing, Transforming, and Persuading: Disentangling the Multiple Effects of Advertising on Brand Choice Decisions. *Marketing Science, 27*(3), 334-355.

Mela, C. F., Gupta, S., & Lehmann, D. R. (1997). The Long-Term Impact of Promotion and Advertising on Consumer Brand Choice. *Journal of Marketing Research (JMR), 34*(2), 248-261.

Melnyk, V. (2005). *Creating Effective Loyalty Programs Knowing What (Wo-)Men Want.* (Dissertation), Tilburg. Retrieved from http://arno.uvt.nl/show.cgi?fid=47035

Meyer-Waarden, L. (2007). The effects of loyalty programs on customer lifetime duration and share of wallet. *Journal of Retailing, 83*(2), 223-236.

Meyer-Waarden, L., & Benavent, C. (2009). Grocery retail loyalty program effects: self-selection or purchase behavior change? *Journal of the Academy of Marketing Science, 37*(3), 345-358.

Meyer-Waarden, L., Benavent, C., & Castéran, H. (2013). The effects of purchase orientations on perceived loyalty programmes' benefits and loyalty. *International Journal of Retail & Distribution Management, 41*(3), 201-225.

Morgan, R. M., & Hunt, S. D. (1994). The Commitment-Trust Theory of Relationship Marketing. *Journal of Marketing, 58*(3), 20.

Narayanan, S., & Manchanda, P. (2009). Heterogeneous Learning and the Targeting of Marketing Communication for New Products. *Marketing Science, 28*(3), 424-441.

Nargundkar, S. V., & Karakaya, F. (1996). Barriers to market exit. *Journal of Managerial Issues, 8*(2), 239.

Odekerken-Schröder, G., Hennig-Thurau, T., & Knaevelsrud, A. B. (2010). Exploring the post-termination stage of consumer–brand relationships: An empirical investigation of the premium car market. *Journal of Retailing, 86*(4), 372-385.

Rese, M., Hundertmark, A., Schimmelpfennig, H., & Schons, L. M. (2013). Loyalty program types as drivers of customer retention: a comparison of stand-alone programs and multi-vendor loyalty programs through the lens of transaction cost economics. *International Review of Retail, Distribution & Consumer Research, 23*(3), 305-323.

Ritter, T., & Geersbro, J. (2011). Organizational relationship termination competence: A conceptualization and an empirical test. *Industrial Marketing Management, 40*(6), 988-993.

Schulz-Margeth, A. (2004). Loyalty. Retrieved 28.08.2013, from http://www.accarda.com/fileadmin/user_upload/downloads/SBF_3_Praesentation2.pdf

Schumann, J. H., Wünderlich, N. V., & Evanschitzky, H. (2014). Spillover Effects of Service Failures in Coalition Loyalty Programs: The Buffering Effect of Special Treatment Benefits. *Journal of Retailing, 90*(1), 111-118.

Sea Jin, C., & Singh, H. (1999). THE IMPACT OF MODES OF ENTRY AND RESOURCE FIT ON MODES OF EXIT BY MULTIBUSINESS FIRMS. *Strategic Management Journal, 20*(11), 1019-1035.

Shugan, S. M. (2005, Spring2005). Brand Loyalty Programs: Are They Shams?, Editorial. *Marketing Science,* pp. 185-193. Retrieved from http://search.ebscohost.com/login.aspx?direct=true&db=buh&AN=17149917&site=ehost-live

Wagner, T., Hennig-Thurau, T., & Rudolph, T. (2009). Does Customer Demotion Jeopardize Loyalty? *Journal of Marketing, 73*(3), 69-85.

Weber, S. (2009). Schluss mit Happy Digits. *Süddeutsche.de, 30.September 2009*.

Youjae, Y., & Hoseong, J. (2003). Effects of Loyalty Programs on Value Perception, Program Loyalty, and Brand Loyalty. *Journal of the Academy of Marketing Science, 31*(3), 229-240.

Yuen Kong, C., & Hamilton, R. T. (1993). Corporate Divestment: An Overview. *Journal of Managerial Psychology, 8*(5), 9.

Zhang, J. (2010). The Sound of Silence: Observational Learning in the U.S. Kidney Market. *Marketing Science, 29*(2), 315-335.

Zhang, J., & Breugelmans, E. (2012). The Impact of an Item-Based Loyalty Program on Consumer Purchase Behavior. *Journal of Marketing Research (JMR), 49*(1), 50-65.

22nd International Colloquium on Relationship Marketing – ICRM

Sustainable Relationships: Myth or Reality?

Sustainability and Relationship Marketing

All for one and one for all: prosocial identity and norm effects in novel groups

Guy P. Champniss*, Hugh N. Wilson**, Emma K. Macdonald**, and Radu Dimitriu**

*Henley Management College, UK
**Cranfield School of Management, UK

Abstract
This paper explores alternative means by which brands can encourage consumers to engage in socially and environmentally positive behaviour. Rather than altruism appeals, we suggest that brand owners use social influence effects among consumers. A controlled field experiment shows that the degree of group salience and the nature of group goal positively influence collaborative prosocial behaviours, both between the consumer and the brand, and between the consumer and other beneficiaries of the behaviour. We also find evidence of two distinct effects – identity effects and norm effects. These results shed light on group influences on consumer behaviour, and help practitioners develop more effective strategies to collaborate with the consumer in achieving sustainability aims or, more broadly, collaboration aims.

Introduction

Interest in ethical, sustainable or responsible consumer behaviour continues to grow (Carrington, Neville, & Whitwell, 2010; White & Simpson, 2013). However, sizeable risks persist for firms pursuing sustainability agendas, as supposedly supportive consumer attitudes frequently fail to result in anticipated behaviours (Luchs, Naylor, Irwin, & Raghunathan, 2010; Prothero, Dobscha, Freund, Kilbourne, Luchs, Ozanne & Thøgersen, 2011).

Theory around sustainable consumer behaviour generally builds on two implicit assumptions. First, that moral or transcendence-oriented values (Hirsh and Dolderman, 2007; Schwartz, 1994) are prerequisites for such behaviour (Stern, Dietz, Abel, Guagnano, & Kalof, 1999). Second, that consumer attitudes and behaviours toward sustainability are largely formed ‘alone’ (Bagozzi & Edwards, 1998; Fishbein & Ajzen, 1975), with little exploration of social context (Ajzen 1991; Marin, Ruiz, & Rubio, 2009; White & Argo, 2009).

This paper takes a different approach to this attitude-behaviour gap. We ask if specific social contexts can stimulate sustainable behaviour independently of an individual’s values or attitudes. We explore if firms can shape the social context by creating temporary social groups. Social context has been shown to influence consumer behaviour in brand communities (Bagozzi and Dholakia 2002; Muniz Jr. and O’Guinn, 2001), yet the focus has remained on ritualized behaviours that are beneficial solely to those within the community. Nonetheless, there are clear demonstrations of prosocial behaviours such as collaboration, cooperation and mutual support. Moreover, where a goal of the community is focused on 'social good', such prosocial behaviours within the community clearly have constructive impacts beyond it (McAlexander, Schouten & Koenig, 2002).

Against this backdrop, and building on Social Identity Theory (SIT; Tajfel and Turner 1979) and Social Categorization Theory (SCT; Turner 1985), consumers' collaboration with brands can deliver prosocial outcomes. This is driven less by perspective taking and empathy, and more by social context and the opportunity to excel within the group (as the prototypic member). Furthermore, SIT and SCT would suggest that such behaviours - collaboration, cooperation and mutual respect - are not reliant on complex, well-established community routines, but can instead occur within rudimentary groups (through minimal group priming; Tajfel, 1978). This paper explores whether such minimal group priming can be applied to the consumer-brand context. Specifically, it is asking if any brand can swiftly assemble social groups in which prosocial behaviours occur, rather than make use of long-established consumer communities such as those around Harley-Davidson or Apple. Hence, we ask: *Can brand-convened social group contexts encourage prosocial behaviours within their constituents?*

We explore this question through an experiment in which we ask consumers to help a brand owner assess and refine a series of marketing materials prior to the brand's launch. We study the impact of social group context by manipulating two factors: the salience of a consumer group, and the stated goal of a consumer group.

Conceptual model

Social Identity Theory (SIT) and Self Categorization Theory (SCT) lead to the development of a conceptual model and hypotheses regarding how group variables affect outcomes including prosocial behaviours (Figure 1)..

We define Group Salience as 'the heightening of an individual's awareness of their membership of a specific group' (Glass 1964). We define Group Goal as 'the collective objective or purpose of the group' (Bagozzi, 2000), in this instance as communicated and shared by the convener of the group, the brand.

As dependent variables, we identify three potential forms of prosocial behaviour based on the giving of either money or time (Reed, Aquino and Levy, 2007), and the recipient of the behaviour. Specifically, we identify the giving of time to the group (PSB1), the giving of money to the group (PSB2) and the giving of time to others beyond the group (PSB3). We also measure the effects of these manipulations on the brand-self connection (Park, Macinnis, Priester, & Eisingerich, 2010), as a measure of the consumer-brand relationship.

A number of hypotheses are proposed (see Figure 1). To summarise, H1-5 propose increases in prosocial behaviour as a result of the manipulations of group salience and group goal. H6ab represents rival hypotheses with respect to group salience leading to changes in PSB3; behaviour may increase as it reinforces group identity, or may decrease, to remove a perceived threat to the distinctiveness of the focal group. H7 and H8 propose that both group salience and group goal manipulations will lead to a stronger consumer-brand link. In addition, as we hypothesise two distinct effects (identity and norms), H9 proposes the process of social identification (psychologically

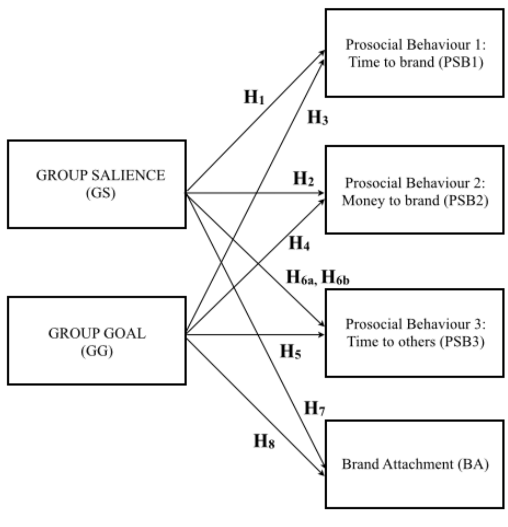


Figure 1 Conceptual Model

committing to the group; Ellemers, Kortekaas, & Ouwerkerk, 1999) mediates the relationship between group salience and PSBs1-3 (not shown in model due to space constraints). We do not hypothesise this effect with group goal.

Method

The hypotheses were tested by means of a field experiment conducted online. A sample of 121 consumers, was contacted by a market research company and asked to take part in what they believed was a review of draft marketing materials for the launch of a new fruit-based soft drink brand. In fact it was a fictional brand, created for the purposes of the experiment (Figure 2). The sample selection process involved an initial pre-task to assess the ability and propensity to read and write materials online. The marketing materials to be reviewed concerned two proposed communications initiatives.

Figure 2. Artwork for experimental brand

Group Salience was manipulated as follows. Prior to reviewing the marketing materials for the new brand, all respondents were invited to complete a pre-task involving tests for creative thinking. A random subset of the sample (n=59) was then allocated to a distinct group that apparently recognized superior creative skills. This group was labeled 'The 20/20 Creative Vision Group'. Members were explicitly told they were now a part of this group, with a distinctive icon appearing on all subsequent communication. All respondents then received instructions on the main tasks required of them, namely to review and evaluate potential marketing initiatives for the launch of this new brand.

To manipulate Group Goal, the sample was subdivided again, equally across the high/low salience setting. With one group, the goal of the research was presented as helping the brand achieve the best possible launch ('commercial goal'). With the second group, the goal was presented as helping the brand achieve the best possible launch as a sustainable product ('sustainability goal'). To reiterate, although specific goals were explicitly stated in the two goal conditions, all participants were exposed to the same two initiatives in terms of description and artwork

The giving of time (PSB1) was measured by the time taken (in seconds) to complete the review tasks, once participants had been allocated to the appropriate group. The giving of money (PSB2) was measured by participants' willingness to buy the brand via a 7-point Likert scale (1=Definitely would not buy, 7=Definitely would buy). Time to others beyond the group (PSB3) was measured by offering all participants the option to engage in further research, but this time with a number of charities that were also exploring similar initiatives and potential partnerships with the brand. Various further research options were presented, with increasing time commitments (ranging from 0 (no engagement) - 120minutes), with participants asked to select a single preference. The brand-self connection was measured via two-item 11-point scale from Park et al. (2010).

Results

Our objective was to explore whether consumers would engage in prosocial behaviours, as the result of manipulations of group membership and group goal. Manipulation checks were run. All hypotheses were tested by running two-way independent ANOVAs. Time-related behaviours (PSB1, 3) included a potential covariate of participants' perceived time pressure (no significant effects). The results are summarized below (Table 1).

We see that the two manipulations are effective in encouraging specific, distinct prosocial behaviours. This distinction is further supported through the mediation of the effect of group salience by social identification (psychological commitment to the group). No mediation is not present across the group goal effects.

Hypothesis	Result	Comment
H1	Marginally supported	$F(1,116) = 3.76$, $p<0.05$
H2	Not supported	$F < 1$
H3	Marginally supported	$F(1,116)=1.94$, $p=0.08$
H4	Supported	$F(1,116)=4.47$, $p<.05$
H5	Supported	$F(1,116)=13.33$, $p<0.01$
$H6_b$	Marginally supported	$F(1,116)=2.97$, $p=0.08$
H7	Not supported	$F<1$
H8	Supported	$F(1,116)=6.07$, $p<0.01$
H9	Supported	PSB1 [CI 95%] [19.91-212.67] PSB2 [CI 95%] [0.144 - 0.669] PSB3 [CI 95%] [0.009 - 0.236]

Table 1. Results

Discussion and conclusion

Sustainable consumer behaviour represents an important area in which business and consumers need to engage and collaborate in order to evolve new products and services that meet increasingly stringent social and environmental criteria. This paper explores a novel - and perhaps more accessible – means of securing sustainable behaviour through manipulations at the group level. We find that when placed within specific group contexts, consumer behaviour can indeed change considerably, irrespective of the individual attitudes or personality types identified in previous research (Hirsh & Dolderman, 2007).

More specifically, we have shown that increasing group salience leads to increased time commitment to in-group related tasks (PSB1). This provides a highly plausible means for firms to motivate customers such as when requesting co-creation of product/service design/delivery or time-based activities such as volunteering. A prosocial group goal may also have this effect ($p<0.1$), providing a potential second route to securing co-creation behaviours. Group goal can also increase the giving of money (PSB2), suggesting a normative goal contextualized at the group level can elicit a stronger intention to commit money in the pursuit of that goal. In sum, manipulations of group salience and group goal both deliver prosocial behaviours in terms of the giving of either time or money, revealing two distinct levers for consumer engagement.

We did not see a significant effect of group salience on the giving of money (PSB2). Previous research has demonstrated the potentially pernicious effects of money on prosocial behaviour (Guéguen & Jacob, 2013; Kouchaki, Smith-Crowe, Brief & Sousa, 2013) and one could conclude that we were observing a similar effect here; that the reference to money pulls people out of the group condition, causing them to re-individuate (Postmes & Spears, 1998) and to prioritize themselves over the pursuit of positive distinctiveness for the group. This conclusion is supported by the mediation effect of social identification on this relationship.

Looking beyond the in-group, an explicit prosocial goal can aid the distribution of prosocial behaviours beyond the group (PSB3), even when group salience may dampen the display of such behaviours. The distinction between these two mechanisms offers interesting routes to ameliorate the well-documented negative connotations of the minimal group paradigm in this context. In addition, the support of our mediation hypotheses presents a potentially more interesting view of how out-group derogation may be avoidable within consumer groups. Our results show a competitive mediation (negative direct effect, positive indirect effect), which we interpret as follows. The default behaviour of the in-group is to derogate the out-group in the pursuit of positive distinctiveness (especially in this case, where the specific out-group - the charities consortium - was salient to the task in hand, and as such may have presented a heightened distinctiveness threat to the in-group). However, as group members experienced higher levels of social identification with the group, so the opportunity to display their group defining - and self-concept enhancing - skill (creativity) to the out-group became an increasingly attractive opportunity for positive distinctiveness. Consequently, we see a weakening of the negative direct effect when introducing social identification.

This signals a significant potential benefit of such rapidly formed consumer groups: the identity can, within limits, be created around a specific trait or targeted behaviour, the display of which not only enhances the in-group, but benefits the out-group also. To this end, careful consideration of group design could ameliorate or indeed remove the typical out-group derogation. Whilst there is evidence that out-group derogation can indeed be controlled when the in-group is presented with an equally viable alternative for in-group distinctiveness (Gaertner, Dovidio, Anastasio, Bachman, & Rust, 1993), this study extends this conversation, placing it within a more realistic and contemporary consumer context.

We have also explored the consequences of these group level manipulations on a measure of the consumer-brand relationship, brand-self connection, and have found that an explicitly prosocial goal has a significant positive effect. We propose this occurs due to a ripple or contagion effect (Barside, 2002). This is encouraging for those who remain concerned that sustainability requests to consumers are effortful and therefore unwelcome.

To the best of our knowledge, this is the first study to apply the minimal group paradigm to consumer brand relationships, opening up an area for research beyond highly symbolic, ritualized community structures. Instead, this study provides broad empirical support via a novel field experiment, for the argument that such behaviours can be prompted within simple and rapidly convened group contexts, which one might term pop-up groups. Moreover these effects need not be limited to social or environmental responsibility, but could be explored in a variety of contexts, such as new product development, change of use, or simply encouraging positive word-of-mouth.

References

Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, *50*(2), 179–211.

Bagozzi, R., & Edwards, E. (1998). Goal setting and goal pursuit in the regulation of body weight. *Psychology & Health*, *13*(4), 593–621.

Bagozzi, R. P., & Dholakia, U. M. (2002). Intentional social action in virtual communities. *Journal of Interactive Marketing*, *16*(2), 2–21.

Barside, S. (2002). The Ripple Effect: Emotional Contagion and Its Influence on Group Behavior. *Administrative Science Quarterly*, *47*(4), 644 – 675.

Carrington, M. J., Neville, B. A., & Whitwell, G. J. (2010). Why Ethical Consumers Don't Walk Their Talk: Towards a Framework for Understanding the Gap Between the Ethical Purchase Intentions and Actual Buying Behaviour of Ethically Minded Consumers. *Journal of Business Ethics*, *97*(1), 139–158.

Ellemers, N., Kortekaas, P., & Ouwerkerk, J. W. (1999). Self-categorisation, commitment to the group and group self-esteem as related but distinct aspects of social identity. *European Journal of Social Psychology*, *29*(2-3), 371–389.

Fishbein, M., & Ajzen, I. (1975). *Belief, Attitude, Intention and Behavior: An Introduction to Theory and Research (Addison-Wesley series in social psychology)* (p. 480). Addison-Wesley Pub (Sd).

Gaertner, S. L., Dovidio, J. F., Anastasio, P. A., Bachman, B. A., & Rust, M. C. (1993). The Common Ingroup Identity Model: Recategorization and the Reduction of Intergroup Bias. *European Review of Social Psychology*, *4*(1), 1–26.

Glass, G. V. (1964). How may salience of a membership group be increased? *Journal of Educational Measurement*, *1*(2), 125–129.

Guéguen, N., & Jacob, C. (2013). Behavioral consequences of money: When the automated teller machine reduces helping behavior. *Journal of Socio-Economics*, *47*, 103–104.

Hirsh, J., & Dolderman, D. (2007). Personality predictors of Consumerism and Environmentalism: A preliminary study. *Personality and Individual Differences*, *43*(6), 1583–1593.

Kilbourne, W., & Pickett, G. (2008). How materialism affects environmental beliefs, concern, and environmentally responsible behavior. *Journal of Business Research*, *61*(9), 885–893.

Kouchaki, M., Smith-Crowe, K., Brief, A. P., & Sousa, C. (2013). Seeing green: Mere exposure to money triggers a business decision frame and unethical outcomes. *Organizational Behavior and Human Decision Processes*, *121*(1), 53–61.

Luchs, M. G., Naylor, R. W., Irwin, J. R., & Raghunathan, R. (2010). The Sustainability Liability: Potential Negative Effects of Ethicality on Product Preference. *Journal of Marketing*, *74*(5), 18–31.

Marin, L., Ruiz, S., & Rubio, A. (2009). The Role of Identity Salience in the Effects of Corporate Social Responsibility on Consumer Behavior. *Journal of Business Ethics*, 84(1) 65-78.

McAlexander, J., Schouten, J. & Koenig, H. (2002) Building Brand Community. Journal of Marketing, 66(1), 38-54.

Muniz Jr., A., & O'Guinn, T. (2001). Brand Community. *Journal of Consumer Research*, (4), 412–432.

Park, C. W., Macinnis, D. J., Priester, J., & Eisingerich, A. B. (2010). Brand Attachment and Brand Attitude Strength : Conceptual and. *Journal of Marketing*, *74*(November), 1–17.

Postmes, T., & Spears, R. (1998). Deindividuation and antinormative behavior: A meta-analysis. *Psychological Bulletin*, *123*(3), 238–259.

Prothero, A., Dobscha, S., Freund, J., Kilbourne, W. E., Luchs, M. G., Ozanne, L. K., & Thøgersen, J. (2011). Sustainable Consumption: Opportunities for Consumer Research and Public Policy. *Journal of Public Policy & Marketing*.

Reed, A., Aquino, K., & Levy, E. (2007). Moral Identity and Judgments of Charitable Behaviors. *Journal of Marketing*, *71*(1), 178–193.

Reicher, S. D., Spears, R., & Postmes, T. (1995). A Social Identity Model of Deindividuation Phenomena. *European Review of Social Psychology*, *6*(1), 161–198.

Schwartz, S. H. (1994). Are there universal aspects in the structure and contents of human values? *Journal of Social Issues*, *50*(4), 19–45.

Stern, P. C., Dietz, T., Abel, T., Guagnano, G. A., & Kalof, L. (1999). A value-belief-norm theory of support for social movements: The case of environmentalism. *Human Ecology Review*, *6*(2), 81–97.

Tajfel, H. (1978). Inter-individual behaviour and intergroup behaviour. In H. Tajfel (Ed.), *DIfferentiation between groups: studies in the social psychology of intergroup relations* (pp. 27–60). London: Academic Press.

Tajfel, H., & Turner, J. C. (1979). An integrative theory of intergroup conflict. In W. G. Austin & S. Worchel (Eds.), *The social psychology of intergroup relations* (Vol. 33, pp. 33–47). Brooks/Cole.

Turner, J. C. (1985). Social categorization and the self-concept: a social cognitive theory of group behaviour. In E. J. Lawler (Ed.), *Advances in Group Processes Theory Research* (Vol. 2, pp. 77–121). JAI.

White, K., & Argo, J. J. (2009). Social identity threat and consumer preferences. *Journal of Consumer Psychology*, *19*(3), 313–325.

White, K., & Simpson, B. (2013). When Do (and Don't) Normative Appeals Influence Sustainable Consumer Behaviors? *Journal of Marketing*, *77*(2), 78–95.

Examining the role of employees and consumers in tourism environmental and sustainability CSR

Victoria K. Wells*, Babak Taheri**, Diana Gregory-Smith***,
Danae Manika****, and Clair McCowlen*****

*Durham University Business School, Durham University
**Department of Business Management, Heriot-Watt University
***Sheffield University Management School, University of Sheffield
****School of Business and Management, Queen Mary University of London
*****Global Action Plan (GAP)

Keywords: Sustainability, Tourism, Employee, Consumers

Research on Corporate Social Responsibility (CSR) and in particular the environmental sustainability element, has flourished in recent years with projects focusing on issues and consequences for the use of CSR. However it is clear, with regards CSR, 'one size does not fit all' and different organisations in different industries will be involved in CSR for differing reasons and with different barriers to implementation (Coles et al., 2013). In addition, within the tourism literature, it is generally considered that CSR research in tourism is at an early stage (Coles at al., 2013) with a fragmented body of knowledge, but it is acknowledged that CSR is an innovative way to create value for society and tourism organisations (Cooper et al., 2008) as well as building relationships with consumers and the community and creating competitive advantage (Kasim, 2006).

CSR research, both generally and in tourism, has ignored the individual or micro level, that is, the role of stakeholders such as employees and, to a certain extent, consumers (Beckmann, 2007; Chun et al., 2013). However, employees and consumers are an extremely important element of services industries such as tourism, due to the close proximity in which employees work and visitors consume.

The paper will present the results of a study testing an environmental social marketing intervention run by Global Action Plan (GAP), a leading UK environmental charity, among the employees of a large tourism organisation. The research had both qualitative and quantitative phases. This paper focuses on visitor elements in the results of the qualitative enquiry which included questioning 68 separate respondents, with interviews ranging from short intercept style interviews to longer depth interviews with both employees and visitors. The interviews were audio-taped, transcribed verbatim and the analysis was guided by thematic analysis (Braun & Clarke, 2006). The thematic analysis process was fluid as the codes were modified as ideas developed and the results of the coding process along with sample coded interviews transcripts were shared between the researchers; enhancing the validity of our qualitative data (Jafari et al, 2013).

As in the employee environmental behaviour literature, issues such as self-efficacy, awareness/ knowledge, feedback, support, and infrastructure play a part in determining the level of involvement that the employees put into environmentally friendly behaviours. In addition, in line with the tourism CSR literature, employees report a range of drivers/facilitators (cost saving, health and safety, simplicity/ ease) and barriers (equipment efficiency, property type) to environmentally friendly behaviours, and highlight current and potential eco-initiatives, as well the importance of education and training.

For employees and consumers the visitor experience was highlighted on a number of occasions and appeared to be affected, in particular, by decisions made to improve the environmental sustainability of the organisation regarding lighting, heating, doors usage and the use/lack of bins. This means that on some occasions a decision had to be taken between the best option for sustainability and that for the visitor experience. Often the solution to this issue was found through making the most authentic choice for the building/property; for example, by choosing authentic light levels, allowing the use of sustainable lighting at a low energy consumption level, but perhaps not allowing the visitors to view the property and its features as best they could.

Communication of CSR and transparency is noted in the CSR literature (Bhattacharya and Sen 2010) and appeared to be important for visitors who felt that the organisation could publicise its green activities further which was also confirmed by some employees. It was generally felt by visitors that sustainability was part of what the organisation should be doing, at least at the most basic level in terms of energy saving but overall a low level of awareness was seen confirming prior literature (Bhattacharya and Sen 2010). Therefore this also research responds to calls for research to explore awareness of CSR activities by consumers (Pomering & Dolnicar 2009).

When asked how consumers could be involved, both employees and consumers noted that they did not want excessive signage to highlight environmental issues and projects, and it was clear that visitors were at the property to "enjoy [themselves], we don't want a lecture". Thus there was a danger that the organisation would end up "speaking down" to the visitors. It appears therefore that any elements to market the sustainability of the organisations must not affect the visitor experience, but that for the organisation to meet its CSR sustainability objectives a balance might need to be struck between the two elements.

Overall, the potential for building customer relationships based on sustainability was largely ignored with sustainability being focused in house, which may be due to the breakdown in the link between sustainability and conservation, which some visitors and employees did not see. In addition, it was clear that the sites attracted many different types of consumers, some of whom may be less or more amenable to organisational sustainability aspects, with differing levels of knowledge/awareness regarding environmental issues. Hence, a relationship could be strengthened or built based on sustainability but with only some consumers. On the whole, however, it is clear that the employees do not see a role for consumers within sustainability and do not market sustainability to consumers directly, or use it to build relationships with consumers, at least in this tourism organisation. This supports prior research that companies communicating CSR is low (Pomering & Dolnicar 2009).

In support of qualitative academic research in the area (Beckmann, 2007) the results reveals disinterest and lack of knowledge in CSR related activities, although this appears to be moderated by types of consumer, again supporting the academic literature (Vassilikopoulou, Siomkos, & Mylonakis 2005; Öberseder, Schlegelmilch, & Gruber, 2011). The research reinforces that the link between consumers and CSR activities is complex and intertwined, extending this research into tourism, and that the organisation has a lack of understanding of how CSR may affect consumers both positively and negatively and how it could be used a selling point or to help shape brand beliefs and differentiate the organisation (Pomering & Dolnicar 2009).

References

Beckmann, S.C (2007) Consumers and Corporate Social Responsibility: Matching the Unmatchable? *Australasian Marketing Journal, 15*(1), pp 27-36.

Bhattacharya, S.D.C.B and Sen, S (2010) Maximizing Business Returns to Corporate Social Responsibility (CSR): The Role of CSR Communication, *International Journal of Management Reviews, 12*(1), 8–19.

Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. Qualitative Research in Psychology, 3, 77–101. doi: 10.1191/1478088706qp063oa

Chun, J. S., Shin, Y., Choi, J. N., & Kim, M. S. (2013). How does corporate ethics contribute to firm financial performance? The mediating role of Collective Organizational Commitment and Organizational Citizenship Behavior. *Journal of Management, 39*(4), 853-877. doi: 10.1177/014920631141966

Coles, T, Fenclova, E and Dinan, C (2013) Tourism and corporate social responsibility: A critical review and research agenda, *Tourism Management Perspectives, 6*, 122-141

Cooper, C., Fletcher, J., Gilbert, D. and Wanhill, R S. (2008). *Tourism Principles and Practice*. Fourth Edition, Longman Publishing, New York.

Jafari, A., Taheri, B., & vom Lehn, D. (2013). Cultural consumption, interactive sociality, and the museum. *Journal of Marketing Management, 29*(15-16), 1729-1752. doi: 10.1080/0267257X.2013.811095

Kasim, A. (2006). The need for business environmental and social responsibility in the tourism industry, *International Journal of Hospitality and Tourism Administration,* 7 (1), 1-22. doi: 10.1300/J149v07n01_01

Öberseder, M, Schlegelmilch, B.B. and Gruber, V (2011) Why Don't Consumers Care about CSR? - A Qualitative Study Exploring the Role of CSR in Consumption Decisions. *Journal of Business Ethics, 104* (4). pp. 449-460.

Pomering, A. & Dolnicar, S. (2009). Assessing the prerequisite of successful CSR implementation: are consumers aware of CSR initiatives? *Journal of Business Ethics, 85* (2s), 285-301.

Vassilikopoulou, A.I., Siomkos, G.J. and Mylonakis, J. (2005) Clustering consumers according to their attitudes on corporate social responsibility. *International Journal of Business Governance and Ethics, 1*(4), pp 317-328.

The Role of Reputation in Consumer Assessment of Socially Irresponsible Behaviour in Food Chains: Lessons for Customer Management

Luca Panzone*, Henry L. Petersen**, and Fred Lemke*

* Newcastle University, 5 Barrack Road, Newcastle upon Tyne, NE1 4SE, UK
** University of Wisconsin – La Crosse, Department of Management, 1725 State Street, La Crosse, WI 54601, USA

1. INTRODUCTION

Current policy agendas in developed economies are increasingly concerned with not only having a well-functioning economy, but also on the environmental sustainability that is associated to it. For instance, current carbon reduction commitments in the EU require member states to achieve substantial cuts in the amount of pollution caused by production and consumption processes, calling businesses to contribute to the preservation of the environment in their Corporate Social Responsibility (CSR) activities (see, e.g., Besley and Ghatak, 2007). As a response, businesses have been adjusting their long-term strategy to incorporate sustainability. Businesses do not work in isolation – producers closely collaborate with supply chain partners such as traders or distributors, etc. – and a joint effort could result in a 'greener' supply chain, typically characterised by the omission of conflict minerals, or the reduction of carbon emissions (e.g., Delmas and Montiel, 2009; Lemke and Petersen, 2013) to name a few. These strategic and operational adjustments are particularly important for food companies (cf. Hartmann, 2011) that are deeply embedded in multi-facetted supply chains and that are, thus, central to the European industrial sector.

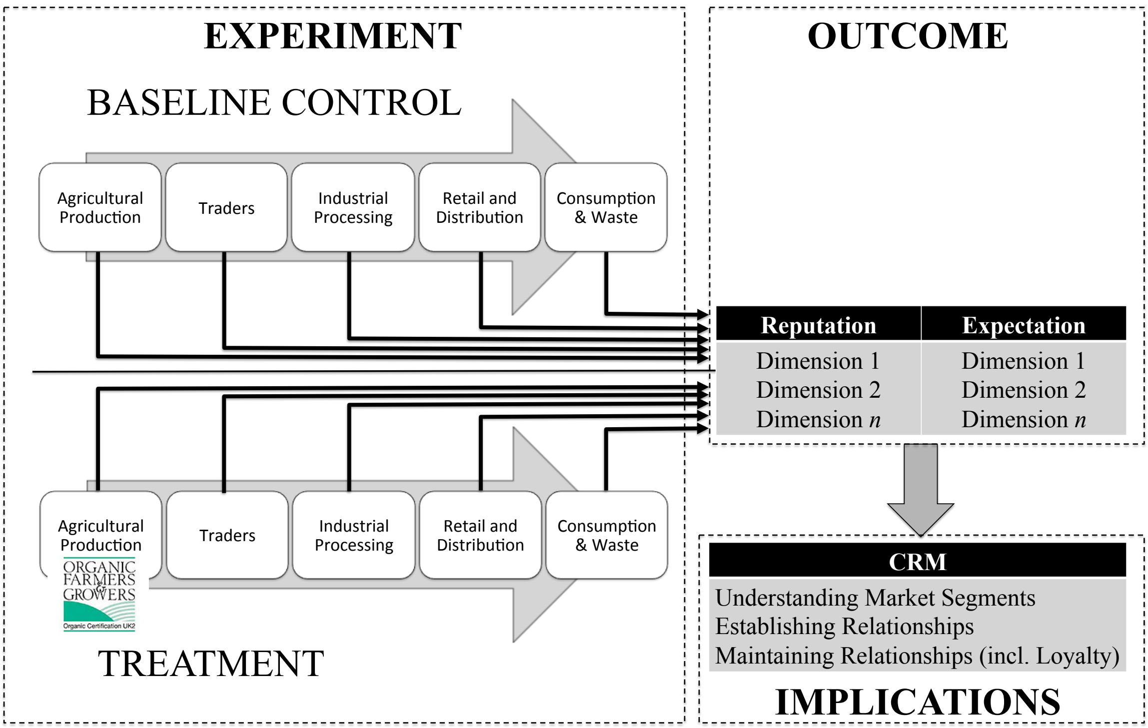
In general, with respect to making purchases, customers often look beyond product and service quality (Lemke *et al.*, 2011) – they expect more. Environmental issues play a vital role in shaping our expectations. Interestingly, while producers already invested a considerable amount of resources on this vital and game changing business matter, there is still very little understanding about what effect a positive 'reputation' potentially has on consumer quality expectations (see, e.g., Lemke and Luzio, 2014). Adding to the complexity of the situation is that of partner reputations/actions in the supply chain and how their reputation and actions influence consumers' perceptions. Understanding the reputation-expectation link is crucial for updating existing customer relationship management (CRM) systems, especially if the supply chain dynamic is taken into consideration. The globalizations of many products and services have led to an increase in the number of partner organizations. This will result in the potential that their activities, at each stage of the chain, may influence how consumers perceive the product, the other partners, and the chain. Both the green reputation of supply chains and the quality that customers expect from green products are largely hidden from companies. On the contrary, in the assessment of the environmental impact of goods, consumers may have to sift through the specific quality signals from each of the actors along the supply chain to determine where for instance the cause of an environmental problem occurs (Lemke and Petersen, 2013). Consumers might believe the manufacturer is mostly responsible for say carbon emissions, but might instead blame the agricultural sector if that same manufacturer has a certified reputation. The same could be said for tainted poultry. Who will consumers blame the most? As a result, investments in reputation may induce consumers to systematically underestimate the impact of one firm within the chain (i.e., a halo effect), shifting the attribution of the causality of the environmental damage to other actors.

The objective of our work is to understand where an individual may locate causality of irresponsibility in a supply chain context using theories of counterfactual thinking (Mandel, 2003). Theories of counterfactual thinking explore how consumers perceive the causality of specific events from empirical regularities of everyday life. In particular, counterfactual reasoning is viewed in two main paradigms: In the counterfactual simulation account (CSA), the individual imagines what would be the reality had one step in the chronology of the event not occurred, thereby locating causality in the most damaging stage (Tversky and Kahneman, 1974). In the probability-updating account (PUA), the individual uses a correlation-like analysis to estimate the probability of a step being related to the outcome, and therefore identifies at what stage the cause had the highest correlation with the outcome (Spellman, 1997). The objective of this study is to assess at what stage of the food chain will consumers ascribe the most blame for social/environmental damage, starting from raw material suppliers (first stage) to the final chain-market interface (last stage). Given the latest supply chain scandals, e.g., horsemeat (Europe, Anonymous, 2013), poultry (UK, Lawrence and Wasley, 2014), Danish Pork (Germany, Anonymous, 2014), among many others, this industry sector is an ideal environment to explore the complexity of international supply chain reputation, CSR, and the implications that it has on CRM.

2. METHOD

Our research design will capture different irresponsible behaviour and seeks to identify both the halo effect, in which a positive reputation mitigates blame, and the spill-over effect, in which a negative partners activity impacts other partners in the supply chain. The empirical analysis focuses on a 4 (treatments) x 3 (product type) within-subject experimental design. The protocol is as follows: we will show a typical supply chain in the food industry (i.e., from farm to fork, including waste) to individual respondents. This will establish the 'baseline control'. One setting will be the meat industry and the total health and environmental risks associated with a typical supply chain (refer to the top left panel of Figure 1).

Figure 1: Setup of Experiment, the Outcome, and CRM Implications



Next, participants will assess the same food supply chain except one member of the chain engaged in an activity that resulted in a health/environmental risk. Participants will be asked to ascribe blame (numerically) to each member of the chain. The 'treatment' of our experiment will be investments in reputation of individual supply chain members (e.g., farmers, traders, industry, retailers). For instance, a farmer may have an organic certified label and this is indicated in the bottom left panel of Figure 1. With regards to the generic experimental parameters, the exercise will have three product-related treatments: 1) one group will assess a vice good (e.g., meat), 2) another group will evaluate a virtue good (e.g., vegetables), and 3) yet another group will focus on a neutral good (e.g., cork tops for wine). This setup will detect variations of all relevant dimensions of our experiment, which will then provide vital input for understanding and managing customer relationships in the food industry.

3. OUTCOME

The research proposed here will be conducted in the UK, Germany, and the US and the outcome will provide vital information for companies concerned with managing the reputation and expectation of customers, as a basis to establish and maintain customer relationships for the long-term. When it comes to environmental or social impacts, consumers tend to perceive and lay blame differently. Although the dynamic as to how and why consumers lay blame is interesting and needed, this research seeks to first identify the moderating effects of a positive reputation within the supply chain context. Reputation has been identified as a valuable resource (Deephouse, 2000; Fombrun and Shanley, 1990). In the supply chain context, reputation is believed to mitigate the long term consequences of a negative event (Knight and Pretty, 1999). The research here will determine whether this same resource will mitigate the negative events caused by partner firms in the supply chain and what the implications for modern CRM practices are.

4. BIBLIOGRAPHY

Anonymous. (2013). *How the Horsemeat Scandal Unfolded – Timeline: How Revelations Have Emerged About the Contamination of Meat Products from Beefburgers to Lasagne* [Online]. The Guardian - Press Association. Available: http://www.theguardian.com/world/2013/feb/08/how-horsemeat-scandal-unfolded-timeline/print [Accessed 20.05.2014.

Anonymous. (2014). *Contaminated Danish Sausages Sold in Germany* [Online]. ONE News. Available: http://tvnz.co.nz/world-news/contaminated-danish-sausages-sold-in-germany-6057570 [Accessed 15.08.2014 2014].

Besley, T. and Ghatak, M. (2007), "Retailing Public Goods: The Economics of Corporate Social Responsibility", *Journal of Public Economics,* Vol. 91 No. 9, pp. 1645-1663.

Deephouse, D.L. (2000), "Media Reputation as a Strategic Resource: An Integration of Mass Communication and Resource-Based Theories", *Journal of Management,* Vol. 26 No. 6, pp. 1091-1112.

Delmas, M. and Montiel, I. (2009), "Greening the Supply Chain: When Is Customer Pressure Effective?", *Journal of Economics & Management Strategy,* Vol. 18 No. 1, pp. 171-201.

Fombrun, C. and Shanley, M. (1990), "What's in a Name? Reputation Building and Corporate Strategy", *Academy of Management Journal,* Vol. 33 No. 2, pp. 233-258.

Hartmann, M. (2011), "Corporate Social Responsibility in the Food Sector", *European Review of Agricultural Economics,* Vol. 38 No. 3, pp. 297-324.

Knight, R.F. and Pretty, D.J. (1999), "Corporate Catastrophes, Stock Returns, and Trading Volume", *Corporate reputation review,* Vol. 2 No. 4, pp. 363-378.

Lawrence, F. and Wasley, A. (2014). *Chicken Factories Inspected by Fsa as Tesco Reveals Surprise Spot Check* [Online]. The Guardian. Available: http://www.theguardian.com/business/2014/jul/25/chicken-factories-inspected-fsa-tesco-reveals-surprise-spot-check [Accessed 25.07.2014 2014].

Lemke, F., Clark, M. and Wilson, H. (2011), "Customer Experience Quality: An Exploration in Business and Consumer Contexts Using Repertory Grid Technique", *Journal of the Academy of Marketing Science,* Vol. 39 No. 6, pp. 846-869.

Lemke, F. and Luzio, J.P.P. (2014), "Exploring Green Consumers' Mind-Set Towards Green Product Design and Life Cycle Assessment: The Case of Sceptical Brazilian and Portuguese Green Consumers", *Journal of Industrial Ecology,* Vol. In Press No.

Lemke, F. and Petersen, H.L. (2013), "Teaching Reputational Risk Management in the Supply Chain", *Supply Chain Management: An International Journal,* Vol. 18 No. 4, pp. 413-428.

Mandel, D.R. (2003), "Judgment Dissociation Theory: An Analysis of Differences in Causal, Counterfactual, and Covariational Reasoning", *Journal of Experimental Psychology,* Vol. 132 No. 3, pp. 419-434.

Spellman, B.A. (1997), "Crediting Causality", *Journal of Experimental Psychology,* Vol. 126 No. 4, pp. 323-348.

Tversky, A. and Kahneman, D. (1974), "Judgment under Uncertainty: Heuristics and Biases", *Science,* Vol. 185 No. 4157, pp. 1124-1131.

Enduring Household Identity Conflict:

A Study of Mundane, Continuous Consumption

Helen L. Bruce*, Hugh N. Wilson**, and Emma K. Macdonald**

*Manchester Business School, UK
**Cranfield School of Management, UK

Voted among the funniest jokes at the 2012 Edinburgh Festival (Gilani 2012), the line "you know you're working class when your TV is bigger than your bookcase" reflects a powerful and pervasive cultural stereotype: that lovers of TV occupy a lower social class than those who reject TV consumption in favor of more status-imbuing pastimes. Perceptions of social class membership constitute part of consumers' desired self-identity, the maintenance of which is continuously pursued via congruent consumption. The influence of self-identity on consumption behavior is complex, as multiple identities require negotiation in the achievement of overall identity coherence. Further complexity arises from customer network influences, as consumers manage overlapping, potentially contrasting individual and shared identities, due to their membership of, for example, household groups, corporate teams or academic cohorts (Epp and Price 2008). These complex influences result in identity conflict, where consumption supports desired and undesired identities simultaneously, or necessitates a choice between multiple, contemporaneously enacted desirable identities (Wu et al. 2011). Consumers experiencing identity conflict subsequently adjust their consumption behaviors in order to achieve conflict resolution and restore overall self-coherence (Ahuvia 2005), with potential implications for firms seeking long-term, mutually valuable relationships with customers.

Despite the complexity of effect arising from network membership, studies of self-identity conflict and its impact on consumption behavior have focused predominantly on individual-level investigations within purchase decision-making scenarios. Moreover, previous research has emphasized identity conflict-driven behaviors relating to conspicuous consumption. More comprehensive network-oriented studies are limited in number and focus purely on product choice. There is a need, therefore, for investigation into self-identity conflict as it arises among customer networks within a mundane and continuous consumption context.

The current study therefore investigates identity conflict and its resolution within household groups of consumers, within the context of subscription television (STV) usage. By focusing on households we capture network influences on identity-coherence and the management by consumers of overlapping individual and shared (relational and collective) identities. Interviews with 103 existing STV consumers comprising sixty households derived four variations of identity conflict. Conflict is observed to differ according to the number of consumers experiencing it, giving rise to within-individual and between-individual variations. Additionally, conflict arises between equivalent identities (e.g. individual vs. individual) or between those of different classifications (e.g. individual vs. collective). Six distinct resolution strategies are observed, with evidence of partially resolved or unresolved identity conflict.

We present two primary implications for relationship marketing. First, our findings highlight the presence of identity conflict and its continuous resolution in a post-purchase consumption scenario. Identity conflict is not, therefore, an influencer of behaviors purely at the point of product or brand choice. Rather, it endures and is endured by consumers post-purchase, and where it remains unresolved, may negatively influence the value perceived by customers as arising from their continued usage. Consequently, an understanding of the identity conflict arising within a given context presents a potentially fertile source of value enhancement, should relationship marketers successfully support identity conflict resolution through proposition development. Second, we note that identity conflict resolution frequently entails controlled or adjusted STV consumption. This observation highlight the potentially concurrent role of consumption in identity conflict creation and resolution, extending the findings of previous research that focused solely on product usage as a means of resolving identity conflict. The opportunities for customer relationship value enhancement are thus extended beyond the facilitation of conflict resolution to include supporting the avoidance of identity conflict.

References

Ahuvia, Aaron C. (2005), "Beyond the Extended Self: Loved Objects and Consumers' Identity Narratives," *Journal of Consumer Research,* 32 (6), 171-84.

Epp, Amber M. and Linda L. Price (2008), "Family Identity: A Framework of Identity Interplay in Consumption Practices," *Journal of Consumer Research,* 35 (6), 50-70.

Gilani, N. (2012), "You Know Who Gives Kids a Bad Name? Posh & Becks" *Metro*, Aug 21st, 21.

Wu, Eugenia C., Keisha M. Cutright, and Gavan J. Fitzsimons (2011), "How Asking 'Who Am I?' Affects what Consumers Buy: The Influence of Self-Discovery on Consumption," *Journal of Marketing Research,* 48 (4), 296-307.

The evolution of sustainability network structure and governance

Gabriela Alvarez, Hugh N. Wilson, Colin Pilbeam, and Richard Wilding

Cranfield School of Management, Cranfield, Bedford, MK43 0AL, UK

Abstract

Sustainability networks are poorly understood, and in wider literature on inter-organizational networks little is known about how embedded relationships from parallel networks influence network evolution. Using social network analysis and qualitative interview analysis, we explore the co-evolution of commercial, personal and sustainability ties in Nespresso's sustainability network. Pre-existing commercial and personal relationships were favoured in initial partner selection, while actors influenced network evolution through positional power gained from parallel networks. We propose that network structure is influenced by personal and organizational ties in parallel networks; that sustainability network structure is influenced by that of other sustainability networks through isomorphic pressures; that actors within a network can derive positional power from their position not just in the focal network but also in parallel networks; and that this power can be exerted to shape network structure and governance to meet innovation or exploitation objectives, of particular interest in the sustainability context.

Keywords: Network dynamics; sustainability; inter-organizational relationships

Introduction

The recent reflection by marketing scholars on the nature and state of the discipline under the banner of service-dominant logic (Vargo & Lusch 2004) makes several observations of relevance to sustainability networks. First, Vargo and Lusch's (2008 p.7) ninth foundational premise that "all social and economic actors are resource integrators" has led to calls for further research into how both organizations and individuals co-construct the network of actors whose resources they integrate to co-create value (Flint & Mentzer 2006; Lambert & Garcia-Dastugue 2006; Gummeson 2007). Such networks are noticeably rich in the context of sustainability schemes such as Fair Trade, which require producer groups to build ties not just with corporate buyers but also with development non-governmental organisations (NGOs).

Second, this richness of sustainability networks can be seen as unsurprising in the light of Vargo and Lusch's (2008, p.7) tenth foundational premise that "value is always uniquely and phenomenologically determined by the beneficiary”. When this premise is viewed in combination with the observation from goal theory that we judge value propositions in the light of our goal hierarchy which includes our values (Peterman 1997; Pucinelli et al. 2009), it implies that marketing is intimately related to organizational and personal values which may include values relating to sustainability (Vargo and Lusch 2008; Macdonald et al. 2009). Hence, in no actor’s eyes is value necessarily exclusively financial, and this is explicit in the multiple objectives of sustainability often encapsulated in the notion of the triple bottom line (Campbell 2007). Such a conceptually simple shift may require the evolution of a new value network (Lusch et al. 2010) in which multiple actors contribute the multifarious resources required in a multiple-bottom-line context, each relationship requiring the negotiation of a multifaceted value proposition – posing, as we will see, a significant innovation challenge. Third, this same tenth premise implies that value evolves over time, and so therefore do the co-creation processes through which value arises (Payne et al. 2008; Macdonald et al. 2009). As these co-creation processes involve not just a supplier and customer but rather a context-specific value network, this raises the issue of network dynamics (Lusch et al. 2010; McColl-Kennedy et al. 2009), which are readily observable in fast-changing sustainability contexts (Raynolds et al. 2004; Davies 2009).

Sustainability literature includes numerous references to the importance of sustainability networks (Arya and Salk 2006; Overdevest 2004), which adapting Alvarez (2009) we define as organizational networks concerned with the marketing, sales and delivery of goods and services from suppliers to customers and back with improvement in the social and environmental impacts explicitly considered. We follow Kilduff and Tsai (2003) in defining an organizational network as a set of relationships between organizations that are goal directed and formally established and governed. Davies (2009) points, though, to the paucity of empirical research into these sustainability networks and the limited understanding of their structure and evolution (Davies 2007; Raynolds 2009; Dolan and Humphrey 2000).

If research into sustainability networks is limited, a significantly greater body of work, reviewed by Grandori and Soda (1995) and Borgatti and Forster (2003), exists into inter-organizational relationships and inter-organizational networks in general. Despite progress in the field, however, the literature has been criticized for offering mostly a static view, providing little insight into the dynamics of collaboration (Ahuja et al. 2007; Parkhe et al. 2006), and for focusing primarily on a dyadic rather than triadic or whole network perspective (e.g. Provan et al. 2007).

An additional area of limited enquiry has been the embeddedness of these collaborative agreements in a certain social, economic and institutional context and how this context influences its behaviour (Granovetter 1985; Gulati 1995). Granovetter (1990, p.14) states the need to extend the embeddedness concept into empirical research and to study what happens in a dynamic process where “you have to look at how people make use of their location in social networks to mobilize resources in order to achieve their economic goals”.
Consistent with the observation that managing the relationship over time is usually more important than crafting the initial formal design (Doz and Hamel 1998), this study explores the evolution of a multi-stakeholder sustainable sourcing network, with two guiding questions: How do context conditions influence the creation and evolution of a sustainability network? And: How does the sustainability network structure evolve over time? We examine a single case in depth, Nespresso’s ‘AAA Sustainable Quality Program’, launched in 2003. Nespresso is an operating unit of Nestlé Group. Headquartered in Switzerland, it focuses on premium single-portion coffee with a patented coffee-capsule technology. According to the firm, its sustainability program represents an ‘effort to secure the highest quality coffee while promoting environmental, social and economic sustainability along the entire value chain, from the farmer to the consumer’ (Nespresso 2008). Collaborating with an agricultural sustainability NGO, the program initially operated in two geographic clusters (regions in which a single supplier is given exclusivity to source coffee from farms in the area) with two suppliers. By the end of 2007 it was operating in 10 clusters in 5 different countries and involved 17 major organizations and approximately 12,000 farmers. As one of the first such networks in the coffee sector, this case provides the opportunity to review network evolution in the five years prior to data collection. As multiple relationships were present between actors – commercial, personal and sustainability related – the case also allows the study of embeddedness and its impact on network dynamics.
We next review literature on the role of embeddedness in network formation, on network evolution and on positional power, before describing our method and findings. We discuss implications for network theory in general as well as sustainability networks in particular. Finally we suggest implications for practitioners and research directions.

Network context and multiplex relationships

The context in which relationships take place has received increasing attention since Granovetter (1985) focused on the notion of embeddedness - the degree to which an actor is involved in a broader social, economic and institutional system and how this level of involvement influences (and is influenced by) its behaviour (Choi et al. 2001). External context factors such as globalization and pace of technology change can influence the propensity to form networks (Gulati and Gargiulo 1999) and the type of partners sought (Lamming et al. 2000). Internal context factors such as the desire to reduce transaction costs (Cavinato 1992), to access resources (Das and Teng 2000) or to seek legitimacy (Baum and Oliver 1991) also influence network formation. Of primary interest in this article, though, is a third set of factors linked to embedded relationships among the organizations. Research at the firm level shows that repeated transactions with other organizations lead to increased familiarity and trust, and this has been identified as a factor influencing the decision to enter new alliances or networks (Gulati 1995; Powell et al. 1996). The effect of interpersonal ties at the network level, however, has been limited thus far and empirical research has been inconclusive (Olk and Earley 2000).

Gray (1989) contends that interpersonal relationships play a significant role in motivating network creation, as this motivation begins with discussions within a social network; Eisenhardt and Schoonhaven (1996) suggest that this social network will include individuals with shared interests, shared past interactions and hence some trust. Interpersonal relationships and increased trust can also be developed as the network develops: Ring and Van de Ven (1994) propose that individuals in boundary spanning roles will develop higher levels of interpersonal trust, while Adobor (2006) also suggests that personal ties can form the basis for developing trust between partners. McEvily et al. (2003) posit that trust can also be transferred when a third party connects two individuals, therefore closing a 'structural hole' (Burt 1992).

The relationship between interpersonal and inter-organizational trust, however, is not a clear one. Zaheer et al. (1998) argue that interpersonal trust plays a subordinate role to inter-organizational trust in determining the cost of negotiation. Eisenhardt and Schoonhoven (1996) propose that the role of different types of relationships can vary over time; in Hite and Hesterly's (2001) study in an entrepreneurial context, relationships were found to follow a pre-determined evolution pattern, whereby networks in the emergent stage of a firm will be comprised primarily of social embedded ties, shifting to encompass a balance of personal and arms-length relationships over time.

This raises the issue of evolution of networks once formed, to which we now turn, beginning with the formal study of networks through social network theory.

Network structure, complexity and network evolution

Social network theory represents a network as a formal set of actors or 'nodes' linked by connections or 'ties'. It uses measures related to the relationships between actors as well as measures applied to the network as a whole (Wasserman and Faust 1994). Examples are the level of 'centralization' of the network – the presence of one or more central nodes which dominate the network; and 'density' – the proportion of all possible ties that are actually present. Such measures can contribute to the understanding of issues such as integration and coordination (Wasserman and Faust 1994).

Choi and Krause (2006) characterize the structure of a market network which forms a focal company's supply chain by its level of complexity, measured in three dimensions: the size of the network, the degree of differentiation among actor roles, and the level of inter-relationships among actors. The greater the number of actors, the greater their variation and the greater their level of interaction, the more complex a network becomes. A network can evolve over time. Choi and Krause (2006) then propose that a reduction in complexity in the supply base may lead to lower transaction costs and increased supplier responsiveness but, in certain circumstances, it may also increase supply risk and reduce supplier innovation. This is consistent with the finding of Hite and Hesterly (2001) that, in entrepreneurial contexts, networks decrease in density and cohesion over time, making these networks more difficult to manage.

According to Koza and Lewin (1998), network structure change is driven by change in one or more of the participating organizations' strategies, institutional organizations, competitive environment and management intent for the relationships. Ariño and de la Torre (1998) add relationship quality as a mediating variable in network evolution, while Doz (1996) argues for the importance of initial conditions in the evolution of network conditions.

Different views exist on the weight of environment factors on one side and purposeful managerial action on the other in driving network evolution. An ecology perspective proposes that an organization adapts over time as a consequence of influential environmental factors rather than as a consequence of individual managerial choices (Hannan and Freeman 1977). In the complex adaptive systems view, the system emerges over time into a coherent form, and adapts and organizes itself without any singular entity deliberately managing or controlling it (Holland 1995). Conversely, an architectural perspective focuses on the actions of network 'architects', even if this change occurs as a response to changes in environment conditions (Ariño and de la Torre 1998; Inkpen and Currall 2004). Davis (2008) presents a concept of network 'plasticity' to promote collaborative innovation whereby networks can be 'pruned' purposefully to eliminate information bottlenecks and competency pairing can promote ties between actors with complementary knowledge across organizational boundaries. In this view network managers can influence the number and type of ties in the network and use more redundant ties to ensure stability or promote a dynamic organization process by quickly reconstituting broken ties.

These differences perhaps result from a paucity of work taking a whole network perspective and examining the evolution of networks over time. A related gap is the absence of work applying social network theory to multiplex relationships in order to explore the role of embeddedness. Before turning to the implications for the design of this study, we examine briefly how network evolution relates to the literature on network governance.

Network governance and network power

Network governance refers to the set of mechanisms that supports and sustains cooperation among participating organizations (Grandori and Soda 1995) to enhance the likelihood of achieving network-level goals (Provan and Kenis 2008). A long line of work has examined both formal (Gulati and Singh 1998; Dekker 2004) and informal (Jones et al. 1997; Ponte and Gibbon 2005) governance mechanisms, including how they are selected (Anderson and Weitz 1992; Wilding and Humphries 2006) and their impact on the handling of uncertainty (David and Han 2004), the building of trust (Gulati 1995), and the handling of external shocks (Arino and de la Torre 1998).

Much of this literature originated in the study of dyadic relationships. Analyzing the structures and process of the network as a whole can provide an additional understanding of network governance, structure and dynamics (Kilduff and Tsai 2003; Soda et al. 2004). In a network setting, it has been observed that a key group of nodes within the network often plays a central role as the main carriers of rules and practices (Hendry et al. 1999) and results in the development of dominant logics at network and community levels (Owen-Smith and Powell 2004). Analyzing the network as a whole enables examination of the extent to which the definition of coordination mechanisms is shared among different actors or is concentrated in one or a few organizations, and the factors influencing this power over network governance (Brass and Burkhardt 1992).

Power in a network can emerge from need imbalances (Salancik and Pfeffer 1977), importance imbalances (Gereffi et al. 2005), uncertainty reduction (Burkhardt and Brass 1990), external sources (Benson 1975), or cross-linkages and interlocking relationships with other organizations (Mizruchi and Galaskiewicz, 1994; Gerlach, 1992). In a sustainability context, Gereffi et al. (2005) identify importance and type of task as the main drivers in determining where the power in a value chain resides, distinguishing producer-driven from buyer-driven chains; Potts et al. (2007) highlight the structural inequalities in information and education that determine the limited opportunities for producers to influence the decisions on commodities such as coffee and cocoa.

This research, however, focuses on structural position as a source of power in a network (Burt 1992; Freeman 1979). Social network analysis offers an approach to identify opportunities for power that arise from network position. Nohria (1992) proposes that the actions and behaviour of individuals and organizations can be explained at least partly through their position in a network. Centrality can be used to assess the degree to which certain actors hold prominent network positions which are often associated with power and influence (Freeman 1979). Burt (1992) identifies a privileged position in a network as one occupied by actors with brokerage opportunities among other actors, which as indicated earlier he also refers to as spanning 'structural holes' in the network.

There are, then, three literature weaknesses to which this study aims to contribute. First, the role of embedded relationships in network evolution is underexplored and research is inconsistent. Second, there is a paucity of work on network evolution over time. Third, the role of positional power in influencing network evolution has been little examined and, in particular, has not been examined in a multiplex network context. We contribute to these areas by applying social network analysis both to the focal sustainability network and to previously existing personal and commercial networks to examine their interrelationships and co-evolution over time.

Method

The objectives of the research were to explore the influence of embedded personal and commercial ties among actors on the structure of a sustainability network; and to explore the evolution of this network over time, including the influence of positional power. We explore the single case of the Nespresso AAA Sustainability Quality Program in depth (Eisenhardt and Graebner 2007; Yin 1994) using a 'bifocal' approach (Coviello 2005) of social network analysis complemented by qualitative analysis, to capture both change in network structure and the mechanisms behind this change.

Data sources

A total of 48 semi-structured interviews were carried out with Nespresso executives and representatives of stakeholder organizations directly involved in the program at any point during the period from its inception in 2003 to the period of data collection in June-September 2007. After identifying the relevant stakeholder organizations involved, the principal criterion for determining the respondents within these organizations was their experience or knowledge of the program at any time between 2003 and 2007, even if they were no longer part of the organization. An initial list of respondents was drawn up with a consultant that had been involved in the program since its inception. Snowball sampling was then used to identify and gain access to the most suitable respondents within each organization. The resulting respondent set included Nespresso's CEO and both Program Managers that were active during the period 2003-07. It also included central, regional and local representatives of five suppliers, two NGOs, two consulting companies and one multi-lateral development organization. In addition, although the formal social network analysis did not extend to the level of detail of individual farms and cooperatives in the interests of simplicity, six farms in Costa Rica and Colombia were visited, and eight farmers and six cooperative managers were interviewed. Respondents hence represented a mix of geographies, functions and tenure. In addition to contributing to the richness and variety of the data, this approach is also believed to help mitigate potential biases from informants in the event that varied informants will engage in convergent retrospective sense-making or impression management (Eisenhardt and Graebner 2007). Each interview lasted approximately 60 minutes. 41 interviews were conducted face-to-face in Switzerland, Costa Rica and Colombia, while 7 were carried out by telephone. After the first round of interviews, 5 participants were questioned a second time to expand on topics or clarify their responses. Interviews were carried out in Spanish, English and Portugese, and taped and transcribed in their original language. Table 1 illustrates the overall organization and geographic representation of the interviews.

Data was also gathered from 15 documents: four contractual agreements; two Nespresso reports; and nine press releases.

Qualitative data analysis

Data analysis began with data reduction techniques to identify emerging themes and concepts. As Miles and Huberman (1994) suggest, the research questions were used to create a first list of descriptive codes. The initial coding was used to analyze an initial set of transcripts and documents, using the software program NVivo Version 8. Two researchers (one of whom had not been involved in the interview phase) independently coded three representative interviews and two documents. This process sought to identify discrepancies in the interpretation of the categories and to limit the extent of subjectivity that may exist in interpreting semi-structured interview data (Miles and Huberman 1994). Discrepancies were identified and a consensus reached between the researchers on an updated coding scheme. The remainder of the data was then coded. An Excel spreadsheet was then constructed to combine a summary of major themes which emerged from coding with the chronological dimension, with illustrative quotations; at this point, Spanish and Portuguese quotations were translated into English.

Preparation of the network data

Three social network matrices were constructed using Ucinet 6.207 (Borgatti et al. 2002) to represent sustainability, commercial and personal ties between actors as described below. The matrices were constructed for each year from 2002 (or 2003 in the case of the sustainability network) to 2007.

Sustainability network: the network of actors in the Nespresso AAA Sustainable Quality Program (the 'sustainability network') constitutes an egocentric or ego-centered network, which according to Wasserman and Faust (1994) consists of a focal actor, termed ego (here Nespresso headquarters), a set of alters who have ties to ego, and indications of their ties with the focal actor and between themselves. The organizations that were considered were the 37 organizations that were formally tied to the program at some point in the period 2003-2007. This population boundary was readily delimited as only organizations that were invited to participate in the network could join, and network participation was in due course formally documented. Nonetheless, at the start of the program (2003-05) when these relationships had not always yet been established contractually, evidence of communication and coordination among actors as expressed in the interviews was used as indication of the presence of ties. Organizations were disaggregated geographically to regional/national and then local level, where this reflected organizational structure, and each of these organizations was considered as a separate actor.

Commercial network: These ties involved an exchange of goods or services for a financial compensation, excluding compensation or monetary exchanges that were part of the sustainability network. Again this analysis drew on a combination of documentation and interview data. Network membership was restricted to the same population boundary as the sustainability network.

Personal network: These ties were considered present when evidence was found of strong social and personal relationships between individuals in two different organisations in the sustainability network or between an individual and an organisation (for example a previous employer). Again network membership was restricted to those actors who were present in the sustainability network. The coding judged the presence or absence of Krackhardt's (1992) definition of 'philos' as a relationship based on interaction and affection and that has a history over an extended period of time existence.

Dyadic interactions were represented in three groups of dichotomous matrices: R (Sustainability), C (Commercial) and P (Personal), each representing the set of ties among the 37 organizations in a given year. The relationships were all coded as non-directional and binary, hence representing the existence of a relationship but not its direction or magnitude. This is formally represented as follows:

$\boldsymbol{R}(t_m) = (R_{ij}(t_m))$
$\boldsymbol{C}(t_m) = (C_{ij}(t_m))$
$\boldsymbol{P}(t_m) = (P_{ij}(t_m))$

Where

$M=(m_1,\ldots,m_6) = (2002, 2003, 2004, 2005, 2006, 2007)$
$I = (i_1,\ldots i_{37})$ = actors and $J = (j_1,\ldots,j_{37})$ = same set of actors
And $i \neq j$ [1]

Actor networks can also classify the actors using attributes (Wasserman and Faust 1994). Organizations were classified into roasters (such as Nespresso), producers/traders, non-governmental organizations, and international development organizations. In addition, each organization (or organizational sub-unit) was classified as local, national/regional or global. Formally, the 2-mode matrix ***A*** classified the actors according to mutually exclusive attributes (i.e. no actor could be classified in more than one category) as follows:

$\boldsymbol{A} = A_{ing}$

Where:
$I= (i_1,\ldots, i_{37})$ = actors
$N= (n_1,\ldots,n_5)$= (roaster, trader/processor, non-governmental organization, consultant, international development agency)
$G = (g_1, g_2, g_3)$= (local, national/regional, global)

Individual network analysis

Using graphical software Netdraw (Borgatti 2002) a visualization of each matrix was created. Figures 1, 2 and 3 provide examples for the sustainability network in 2003, 2005 and 2007 while Figures 4 and 5 show the slower-changing commercial and personal networks in 2002. This visualisation was carried out both for each overall network and for each individual organization's ego-net and for each year.

1 Pairs listing same actor twice (i=j) are called 'self-choices' (Wasserman and Faust 1994) and were not considered in the analysis.

For each network, standard network constructs were explored: demographics concerning network size and tie creation and deletion in each period, cohesiveness, centralization and actor positions in the network, and brokerage opportunities. See Table 2 for sample analysis for the sustainability network.

Freeman (1979)'s degree of centrality was calculated by counting the number of adjacent links to an actor. Closeness centrality, which measures the farness and normalized closeness centrality of each vertex and the overall network closeness centralization was also measured (omitted from Table 2 for brevity). Centrality can thus be associated with being the object of many relations (degree), being in the paths that connect others (betweenness) or in terms of having access to others who are connected (closeness), and has been identified as a potential source of power in a network (Nohria 1992; Brass and Burkhardt 1992).

The level of cohesion found in the network over time was also estimated (Wasserman and Faust 1994). Measures used for assessing cohesiveness were density, average distance, and distance-based cohesion or 'compactedness'. Density is defined as the ratio of actual to potential ties while connectivity is the degree to which members of a network are linked together through direct or indirect ties (Burt 1992). Average geodesic distance is the number of relations in the shortest possible walk from one actor to another. Compactness indicates the level of cohesion based on these geodesic distances, where values range from 0 to 1 and larger values indicate greater cohesiveness. Cohesive networks are characterized by high density, mutuality among group ties and a higher relative frequency of ties among group members than nonmembers (Wasserman and Faust 1994).

A higher level of cohesiveness can also be found within a subgroup of the whole network. Cliques are subsets of at least three nodes, all of which are adjacent to each other, but where there are no other nodes that are also adjacent to all the members of the clique (Wasserman and Faust 1994). The networks were analysed to identify all cliques with a minimum of 3 members.

Finally, organizations spanning a 'structural hole' - that is, a relationship of non-redundancy between two actors where the hole is a buffer between two otherwise unrelated nodes - were identified, as these may provide the organization with brokerage opportunities which can give advantages in relationship negotiation (Burt 1992).

Multiplex network analysis

After examining each of the three networks independently the networks were also analyzed together. Multiplexity, the extent to which two ties coincide over a population (Skvoretz and

Agneessens 2007), was first identified by mapping the relationships among organizations and noting the organizations that were linked directly by two simultaneous types of relationships (Sustainability - Commercial, Commercial - Personal or Sustainability - Personal) and the organizations that were linked by all three types of relationships. To identify possible correlations between the presence of a tie in one network and the current or future presence of a tie between the same two actors in either of the other two networks, the Pearson correlation procedure (Hanneman and Riddle 2005) was used. See Figure 6.

Research setting

Nespresso's business is based on sales of specialized machines through retailers and direct sales of its patented coffee capsules to consumers. Though the original concept was developed in the mid 80s, it was only in the late 90s that the business started showing signs of market success. Despite a slow start, after a rapid transformation by 2003 sales represented CHF 445m ($432m as at 29 December 2009), up from CHF 127m five years before. The growth rate continued over the following five years, and by 2007 the company had reached CHF 1.7bn in sales.

Most coffee consumption is in developed economies while production takes place in smallholder farms in more than 50 developing nations, with over 20 million families depending on this crop (Muradian and Pelupessy 2005). From 1962 to 1989, industry prices for 'green' coffee (beans that are not yet roasted) was tightly regulated by a trade quota-based International Coffee Agreement (ICA). The ICA broke down in 1989 (Muradian and Pelupessy 2005), after which an oversupply of coffee and the entry of low-cost new players such as Vietnam led to prices falling to an all time low in the second half of 2001. For more information about the coffee industry's characteristics and recent history see Muradian and Pelupessy (2005) and Giovannucci and Ponte (2005/6). This coffee crisis hit coffee producers, many of them subsistence farmers, especially hard and it was a call for action for activist organizations such as Oxfam and Equal Exchange, which organized campaigns to sensitize consumers and the media to the precarious conditions of coffee growers, questioning the sourcing practices of the large coffee buyers (Argenti 2004).

At the same time, while demand for average coffee was slowing down, consumer appetite for high quality coffees was on the rise. Concerned about the long-term supply of high quality coffee needed to support an aggressive growth strategy, in 2003 Nespresso launched its 'Nespresso AAA Sustainable Quality Program' in collaboration with Rainforest Alliance (RA), an agricultural production sustainability NGO. Program elements included assessing the sustainability practices of farms and designing a ‘continuous improvement’ process for them, while at the same time providing a premium price to farmers for their coffee.

Findings

We discuss in turn findings relating to each of the three networks – sustainability, commercial and personal – before examining relationships between the networks.

Sustainability network

Figures 1, 2 and 3 and Table 2 illustrate the evolution of the sustainability network from 2003 to 2007. In 2004, the year after its inception, the network expanded rapidly, almost doubling the number of participating organizations and expanding the number of ties among these organizations by a factor of almost three. In 2005, a new manager took over the program at the Nespresso headquarters and some changes to its organization were made, including a new regional coordination office in Costa Rica. During that year, only 5 new organizations were incorporated and the number of total ties increased to 66, with 18 new ties being created and 13 being deleted (or reoriented by changes in the coordination structure). The new program manager justified the changes thus:

> If you really want to do something big and solid you have to put some structure and you have to think about processes…If I want to do several projects with one supplier I can’t have one-on-one conversations with each managing director… so we asked for some structure in place where we have someone overlooking the project from the supplier’s global perspective. (Nespresso executive)

The formalization of the coordination brought some difficulties for some participants, having to shift from a very connected network to one that communicated through specific paths:

> One thing that has changed lately is that now the communications are one-on-one and not the whole group as it used to be. When a topic was discussed we could all chip in, now you depend on them communicating with each other. (Coffee Trader)

In addition to the coordinating roles of regional offices, the program manager also delegated some of the coordination by purposefully promoting peer collaboration between those in technical or other specific roles. This was broadly appreciated by participants:

> I think that Nespresso has been successful in identifying the people responsible in each organization for each topic and to allow a direct dialog to happen among these people across the organizations. (Coffee Trader)

The program continued expanding in 2006, with 6 additional organizations participating in it and 17 new ties created. In 2007, a new regional coordination office was set up in Colombia on the model of the 2005 Costa Rica office. During this year, 5 new organizations (including the regional office in Colombia) were incorporated in the network. There were also 26 new ties were created while 6 were deleted or reoriented.

The density of the network – excluding isolated nodes - was moderately high in the first year, with almost half the possible ties present. However, it rapidly decreased from 2004 onwards, and by 2007 only 16% of all possible ties were present, implying a progressively sparser network. There was also a trend of increasing average geodesic distance - the number of relations in the shortest possible walk from one actor to another (Hanneman and Riddle 2005) – between actors, with an increase from 1.60 in 2003 to 2.23 in 2007. The distance based cohesion 'compactedness' measures followed the same trend as the density measurements, but decreasing more moderately, from 0.72 (of a maximum of 1) in 2003 to 0.51 in 2007.

This evolution in the level of cohesiveness or density of the network was also reflected in the qualitative data. During the first phases of the program, there was a general feeling of strong interconnectedness and constant communication among all the players, as the program was being defined and initial projects were implemented. As expressed by a Nespresso executive:

> In the beginning, around the negotiating table there were phone, e-mails and video-conferences. Everyone was there. The traders, their agronomists, the NGO, Nespresso managers, quality experts, etc. In the beginning it was just that, then it got bigger and bigger. (Nespresso executive)

As the program evolved, however, the stress of an expanding network was felt to have impacted the quality of communication and the ability to stay connected to all the players in the network. In the words of a trader that was part of the network since the beginning:

> We went through some growth pains. In the beginning, when it was just Costa Rica and Colombia, it was easy to communicate, we knew each other from the beginning, it was easy. But after a while we had different partners, people in three continents, multiple organizations and operating styles, this can create some growth stress. (Coffee Trader)

Freeman's degree of centrality showed a decrease in the overall centralization in the network, which went from 54.4% in 2003 to roughly half that figure, 27.7% in 2007. Though the network shows a distinct trend towards decentralization, central positions in the network are consistently occupied by Nespresso organizations. Nespresso headquarters accounted for

18% of Freeman's network centrality degree in 2003. By 2007, in a less centralized network, while Nespresso headquarters only accounted for 6% of the total network centrality, the two regional Nespresso organizations (created in 2005 and 2007) accounted for an additional 14% of total network centrality.

As Nespresso had created the network as part of its supply chain, it is not surprising to find it occupying a central position. Perhaps more revealing is the group of organizations that occupy the next most central role: the NGO organizations (Rainforest Alliance, FundaNatura, FIIT, ProNatura Mexico, Imaflora) These all belong to a separate Sustainable Agriculture Network, sharing a parallel form of coordination and communication among each other, which allows information to flow more rapidly among them and places them, especially the ones that interact with most local operations, in a relatively central position.

Commercial network

Figure 4 shows the commercial network in 2002 prior to the inception of the sustainability network. The network is dominated by 'radial' relationships between the roasters Nespresso and Nestlé and the traders participating in the program (along with commercial relationships between corporations and their subsidiaries). Also a prior commercial relationship existed between the consultant company Goodbrand and Nespresso. In total, 26 of the 37 organizations participating in the sustainability network had at least one commercial relationship with another organization previous to the creation of the program.

The commercial network evolved at a much slower pace than the sustainability network. In 2003, just 2 new ties were established, when Nespresso started sourcing from the National Coffee Federation in Colombia through its representative in Europe (FNC COLB and FNC EUR). From that point, the commercial network remained constant in terms of number of involved organizations. The consultant Goodbrand was initially contracted as a general provider of services and, as such, included in the commercial network. In 2004, the commercial relationship between the consultant and Nespresso became focused solely on the sustainability program so, as per the definition of commercial tie, it was eliminated as an independent commercial tie.

A network structure analysis similar to the one executed for the sustainability network and reproduced in Table 2 was carried out for the commercial and personal networks, but they are not tabulated for purposes of brevity. The commercial network exhibits a low level of density, with only 13% of the possible ties being present in 2002, increasing slightly to 15% by 2007. The average distance among connected organizations was 2.50 in the beginning of the period analyzed and moderately lower, at 2.44, by the end of the period. As is clear from the graphical format of Figure 4, the commercial network is highly centralized around Nestlé and Nespresso, with a 52.0% Freeman centrality degree by 2004. An important difference between this network and the sustainability network is the position occupied by Nestlé, as the headquarter organization and one of the largest buyers of green coffee: the regional organizations of Nespresso that played a very central role in the sustainability network are considered isolate organizations in the commercial network as they have no commercial function. The traders connected to the largest number of local clusters are the next most central players, but accounting for 5-6% of the total centrality, compared to 15-17% for Nespresso and Nestlé.

Personal network

The personal network in 2002 prior to sustainability program inception is illustrated in Figure 5. Personal relationships in the network were of varied nature. Of the 17 nodes participating in the initial sustainability network, respondents in 14 made a reference to 'internal' networks of personal relationships that had been built over the years as people in the different units of the organization worked together for long periods of time. Across organizations, there had also been long-standing working relationships that had supported the development of personal relationships, for example between a local trader and its European representative, and among leaders of the NGOs belonging to the Sustainable Agriculture Network. Another type of relationship was found among people that had shared working, professional or personal relationships during their time working in a different organization. This was the case with the close relationship that existed between the lead consultant of Goodbrand and Nespresso's CEO. In the latter's own words:

> I have to say I was also very influenced by [name]… we had worked together for many years before and we had had a chance to have multiple discussions about many of these things over the years. (Nespresso CEO)

Similarly, a group of people that at the time of the research worked in Nespresso, in the National Coffee Federation in Colombia (FNC) and in Expocafé had all worked previously in FNC, some of them also having worked together at two of the three organizations. This group interacted informally with each other and had positive feelings to the organizations they had worked at previously as well as to the other individuals.

> I think it obviously helped that they had been associated with FNC in the past. They know what our institution is all about and when you need to explain to a high level

> executive, they can explain in very good detail, they know what we are capable of achieving. (Coffee Trader)

While the social network analysis did not extend to the farm level, personal relationships at this level seemed to be particularly strong and appeared to be influencing both commercial relationships and the predisposition of farmers to become involved in the Nespresso sustainability program.

> I am loyal to the company, the manager is like a brother to me, we are friends, and they have always treated me very well. I always sell my coffee to them. (Farmer)

> The relationship of this trader with small producers in the region is very special. I call it a 'skin-to-skin' type of relationship. They have offices in many farming areas, supply fertilizers, offer credit, etc., etc. (Multilateral Organization Manager)

Though most of these relationships pre-dated the creation of the sustainability program, a few new relationships were created during it, and at least partly as a consequence of it. Such was the case, for example, for the inter-organizational tie in the personal network that arose when two employees from the local Colombian NGO FundaNatura were hired by Nespresso and by trader Neumann KG COLB respectively to coordinate the activities in Colombia within the program.

In total, 30 of the 37 organizations that would participate in the sustainability network had at least one personal tie with another organization by 2002. As was the case for the commercial network, the personal relationship network evolved at a much slower pace during the period 2002-07 than the newly created sustainability network: no new ties were established in 2003, and only 12 were established between 2004 and 2007.

The structure analysis of the personal network indicates that density is somewhat lower than that of the sustainability network, with only 12% of the total ties being realized in 2007. The distance-based cohesion compactness measure was also lower in the personal network, with a measure of 31% in 2007 (compared to 51% in the sustainability network and 48% in the commercial network). The graphical representation of the network in Figure 5 demonstrates a sparser network with fewer connections among sub-groups of organizations than in the other two networks.

The personal network displayed a low level of centrality, between a high of 14.5% in 2002 and a low of 11.6% in 2007. Some of the central positions in the beginning of the program differ from those in the other networks. For example, FNC Colombia, that was not part of the sustainability network in 2003, already occupied a central position in the personal network, as a centre of the Colombian clique mentioned earlier. Goodbrand also occupied a central role in the personal network from 2005 onwards. The privileged relationship the lead consultant enjoyed with the NGO placed him in a strong position to that could offer brokerage opportunities, and the trust he developed in working with Rainforest Alliance allowed him to serve not only as an advisor but also as an informal bridge between Nespresso and the NGO. In his words:

> The most important thing during the whole of that period was to win the trust and respect of the NGO (Consultant).

Multiplex relations

The multiplexity analysis showed that 28 of the 37 organizations maintained at least two types of simultaneous direct linkages with another organization in 2003, with 7 of these organizations having simultaneous commercial, sustainability and personal ties in that year. By 2007, 34 organizations shared two types of direct linkages, and triple ties linked 23 of these organizations.

With particular reference to the linkages between the commercial and the sustainability networks, there was a sense among participants that these connections were very relevant and would only become more so in the future:

> The rapid increase in demand for highest quality specialty grade coffee and Nespresso's very specific profile requirements are prompting consideration of longer-term approaches to supply chain management. (Nespresso 2007)

> By 2010, 50% of the coffee will be sourced from clusters participating in the AAA Program. (Nespresso 2006)

> We started working with Nespresso 5 years ago and, over time, we got to know the AAA Program. We have been working towards being included in this program because we believe the future business with Nespresso is definitely in this direction. (Coffee Trader)

Figure 6 shows the correlations between tie presence in one network and concurrent or future tie presence in another. All correlations in the figure were significant at the 1% level. Membership of the commercial and sustainability networks are correlated, with a Pearson index ranging from 0.202 (commercial linkages after 2004 correlated to sustainability linkages in 2003) to 0.369 (commercial linkages in 2003 correlated to sustainability linkages in 2006).

Membership of the personal network had a strong positive correlation with the sustainability network, with Pearson coefficients ranging from 0.216 for personal linkages in 2004 being correlated to sustainability linkages in 2003 to 0.704 for personal linkages in 2006 being correlated with sustainability linkages in the previous year.

Personal relationships in 2002-03 are strongly correlated with participation in the sustainability network after that period. One possible explanation is the role we have discussed of FNC, the Colombian coffee trader organization which played a central role in a personal clique but only joined the commercial network in 2004 and the sustainability network in 2005. The Sustainable Agriculture Network, of which Rainforest Alliance exercised a Secretariat role, showed a high level of personal relationships among participating local NGOs; as these NGOs were integrated into the Nespresso sustainability network, this presumably impacted the overall correlation between the personal and sustainability networks. A last observation on the interplay of personal and sustainability networks is suggested by the positive correlation between participation in the program in 2005 and 2006 and personal relationships in 2006 and 2007: the interview data indicated that the intense communication and relationship building activities resulted in the emergence of new personal relationships over time among participants in sustainability network.

> A part of this is about personal relationships. We work with the same exporters with our own certification and with our own worldwide activities, so I think it is a level of trust that you have build with these companies as an organization, not just in this project. (NGO representative)

> The workshops were very useful, not only to know the process better but also to get to know the other people working on this in Latin America. (Coffee Trader)

The interview data suggested yet another type of parallel network as relevant to sustainability network participation and practices: participation in other sustainable sourcing schemes in the coffee sector. Starbucks, for example, one of the largest speciality coffee buyers, had introduced their own sustainable sourcing program called CAFÉ Practices:

> I think five or eight years ago… there were niche certification schemes like Utz Kapeh and Rainforest Alliance. But I think that what happened with CAFÉ Practices was that the concept of certification was adopted by a mainstream large customer. (Coffee

> Trader)
>
> The [sustainability] trend is quite startling… normally the coffee industry is quite a mature industry, trends happen slowly, but this trend has happened very, very fast by coffee industry standards. (Coffee Trader)

Traders found similarities across the various sustainability schemes. After making adaptations to work with one program, adapting to another involved less effort:

> We made a big effort to make our supply chain be CAFÉ Practices certified. In doing so it meant that we now had experience for other schemes. It was a smaller step to get to Utz certified, to Rainforest Alliance, to the Common Code of Coffee Community and also Nespresso. (Coffee Trader)
>
> After we had adjusted to serve Nespresso AAA needs, it was very easy to adapt to Starbucks and other programs. (Coffee Trader)

The people responsible for these programs across the different organizations also tended to be the same ones, covering the whole spectrum of sustainability and establishing relationships with actors sometimes on more than one scheme:

> I do two things in this organization: I look after all the sustainable projects mainly aimed at certification and that sort of thing, and I'm also in charge of specialty coffee, basically in Europe, that means Nespresso and Starbucks. (Coffee Trader)
>
> A part of this is of course personal relationships, we work with some of the same traders with our own certification so I think it is a level of trust that you have to build with these companies as an organization, not just for one project. (NGO Representative)

There was also a sense of competition perceived across the different schemes, and this was used in internal negotiations or in discussions with buyers:

> Some people in my organization are sceptical about this program. They say 'let's just finish this and go with Starbucks' CAFÉ Practices, we can sell more to them and with lot less work and complications'. (Coffee Trader)

Discussion

The empirical research explored the co-evolution of commercial, personal and sustainability program ties among actors participating in a multi-stakeholder network for sustainable sourcing. We begin by discussing the initial creation of the sustainability network before turning to its evolution.

Network creation: The role of embeddedness

Commercial and personal ties between many of the participating organizations pre-dated the creation of Nespresso's sustainability network. Out of the 11 nodes that participated in the sustainability network in 2003, 8 had at least one type of additional tie with at least one other organization. Of the two traders that participated in the creation of the program, one had been Nespresso's commercial partner for a long time; the second was initiating a commercial relationship but had personal ties with two individuals in the Nespresso team that had been assigned the task of creating the initial structure of the program. The informal communications within the so-called 'Colombia-club' members were frequent and a strong level of professional trust existed based on previous mutual work experiences. The NGO network also had numerous personal linkages among the local organizations, as they had been part of this network and developed personal relationships over time. Pearson correlation measures among the three networks showed a moderate but positive correlation between all networks.

The sustainability network represented for Nespresso a new area of operation and would qualify in Eisenhardt and Schoonhoven's (1996) terminology as a 'vulnerable strategic position' with a high degree of uncertainty, and in March's (1991) terms as an 'exploration' network, associated with prospecting for new landscapes, discovering new opportunities for wealth creation and involving innovation, basic research, risk taking and building new capabilities. Pre-existing relationships built through parallel networks supported this phase, allowing for experimentation and risk-taking but supported by trust built in parallel networks which was transferred to the new situation.

This transfer of trust from parallel networks extends to the multiplex environment the concept of trust transfer that, McEvily et al. (2003) contend, occurs in a single network when an organization provides a trusted bridge between two other organizations with whom it was already tied. It provides support from formal multiplex network analysis for Adobor's (2006) observation that personal ties can form the basis for developing trust between partners.

These observations are consistent with the embeddedness literature, supporting Granovetter's (1985, 1990) premise that the social relationships among individuals and the social context within which an organization operates influences the economic action of firms. As compared with Hite and Hesterly's (2001) entrepreneurial context, though, the pre-existing relationships at this emergent stage of network evolution were far from universally social ties, as ties from the commercial network as well as the NGOs' other relationships were also instrumental in initial network formation. Rather, the findings lend support to the concept of past relationships becoming a repository for information on availability, competencies and reliability of prospective partners and firms (Gulati 1995) even when the partners were sought for a different purpose than establishing a new commercial relationship.

There were, though, some ties freshly created in 2003 without precedents in parallel networks: notably, between Nespresso and its traders on the one hand and, on the other, the NGO Rainforest Alliance and the associated Sustainable Agriculture Network. There were, at the time, not many organizations that could fulfil the various roles of the Rainforest Alliance and Nespresso had no previous significant links with any of them, so the relationship was initiated after a mutual exploration phase.

The resources the Rainforest Alliance provided included skills and knowledge in working with farmers and local communities to co-create part of Nespresso's value proposition to them – improving their social and economic sustainability. That is, in Vargo and Lusch's (2008) terminology, Rainforest Alliance provided service, which Vargo and Lusch define as the application of operant resources, notably knowledge and skills. This service, though, was delivered not directly to farmers and communities but through advice and skills transfer to other network members, including advice on the network configuration itself, and the introduction of other network members from the NGO's own networks. This would suggest that if all social and economic actors are resource integrators (Vargo & Lusch 2008), one contribution to value co-creation can be through the dynamic capability of network reconfiguration, generalising from Wilson and Daniel's (2007) dynamic capability analysis of channel design.

The Rainforest Alliance also provided credibility to Nespresso's customers about the sustainability component of the value collectively created by the network and encapsulated in Nespresso's value proposition. This is consistent with the argument that the need for legitimacy can influence network formation (Baum and Oliver 1991). Legitimacy was needed since sustainability, like corporate social responsibility which is very close in meaning (Matten and Moon 2008), has many features of an institution, including its own institutional logic around the triple bottom line (Campbell 2007); hence, isomorphic pressures (DiMaggio and Powell 1983) would tend to steer the network towards similarity in structure and practices with other sustainability networks.

We summarise this discussion in the following propositions which, while consistent with our data, we offer for further research.

P1. Network structure is influenced by (and in turn may influence) personal and organizational ties in parallel networks. In the case of sustainability networks, these parallel networks may include but are not necessarily limited to personal and commercial networks.

P2. Sustainability network structure is also influenced by the structure of other sustainability networks through isomorphic pressures.

Network evolution: the empowerment of managerial action

Nespresso's sustainability network grew rapidly. Using Koka et al.'s (2006) terminology, the network initially went through an expansion phase, with increased tie creation and reduced tie deletion and an increase in portfolio size and range. By Choi et al.'s (2001) definition, the network also became more complex as the number of organizations increased, additional inter-relationships among organizations were established, and differentiation of the organizations broadened with the incorporation into the network of new types of organizations such as public sector entities. The decreasing degree of centralisation which was observed around the focal actor was a further indicator of lower ease of integration and coordination (Provan and Milward 1995).

As a lead organization, Nespresso had the possibility of enforcing deliberate changes to the organizational network, in line with view of the manager as network architect (Inkpen and Currall 2004; Lusch et al. 2010) and Davis's network plasticity concept. Davis' research, however, points to the 'pruning' of information bottlenecks to promote innovation. In the Nespresso case, the opposite was the case, new information centralization nodes being introduced to promote efficiency. The new program manager's aims in 2005 were to provide clarity and organization to a sometimes-chaotic communication structure that he perceived as threatening the opportunities for growth. Indeed, as the network increased in size, its density or cohesiveness decreased and this exposed it to a higher risk of being disconnected and being difficult to manage (Coviello 2005). The deliberate action was aimed at regionalizing communication flows and increasing efficiency. Though expansion was still continuing, the priorities of what was becoming, in March's (1991) terms, an 'exploitation' network - increasing efficiency and the productivity of employed capital and assets - were also evident. Nespresso headquarters hence intervened in the structure of the network to moderate its complexity by introducing sub-focal organizations in the form of regional coordination offices. The lines of communication and coordination thus shifted, and the new regional managers in Costa Rica and, from 2007, in Colombia took a central role in the coordination of the program. Hence these regional managers occupied the most central positions in the formal network in 2007 and Nespresso headquarters became the third most central organization in terms of direct and indirect ties, and indeed the fourth using Freeman's degree of centrality. The result was shared centralization between the focal organization (Nespresso Headquarters) and the Regional Management Offices.

At the same time, in line with Davis's (2008) proposition, Nespresso headquarters fostered the establishment of linkages among actors with complementary knowledge. It did so, however, through the establishment of informal coordination mechanisms rather than formal linkages.

Managerial action in Nespresso, then, demonstrated power in deliberately influencing the evolution of the sustainability network's structure. We will next consider the power of network actors in more depth, focusing on positional power (Nohria 1992).

Positional power can emanate from centrality (Freeman 1979; Burt 1992). Not surprisingly, Nespresso headquarters initially occupied a central position, but its centralization degree fell markedly through the period under study from 18% to 6%. This was, however, offset by the presence of the regional organizations, which together accounted in 2007 for 14% of total network centralization.

A second group of actors composed mostly of local NGOs occupied the next most central positions. These local organizations operated in the countries where the program was most active (Colombia and Costa Rica) and were thus placed in central positions in the network, connected to the local operations but also, through the Sustainable Agriculture Network, to all other local NGOs involved in the program. This position offered advantages for information sharing across NGOs in different locations. As the program components and the form of implementation of the program at the farm level was being developed, the position of NGOs in all relevant clusters and their connection to each other allowed these local based organizations to have a stronger say on the implementation and further definition of the program overall than they would otherwise have had.

Our data also allows discussion of the extent to which centrality in multiplex networks provides power within the sustainability network. With respect first to the commercial network, Nestlé headquarters has a very central position, with ties to most traders that participate in the sustainability network. Ecom and Colombia's FNC also occupy central positions in the commercial network as they are responsible for commercializing the product from multiple 'clusters' or sub-regions participating in the sustainability network. As large traders with well-established relationships with the major global player Nestlé which roasts

20.2% of the global market (Euromonitor global Market Information Database 2008), they were perceived by Nespresso as able to accompany fast company growth and assist with the integration of the program across multiple locations, putting them at advantage in the sustainability network. Traders also appeared to enjoy opportunities to exert power as a consequence of joint affiliations to competing programs, suggesting that what Burt (1992) alludes to as 'Tertius Gaudens' or the 'third that benefits' extends to the multiplex network. Traders could benefit from competition among the different buyers: for example, costs and requirements of being involved in one program were compared by traders and used in the negotiation of terms and conditions with other programs.

In the personal network, a central position in 2002 was occupied by FNC Colombia, an organization that was not, at the time, part of Nespresso's sustainability network, but that was a centre of the 'Colombian club' which included two executives at Nespresso, the representative of Expocafé in Europe, local operations in Colombia and the FNC representative in Europe. Informal communications among this group of players was very active, with a strong level of professional trust based on previous work experiences or institutional appreciation. The entry of Colombia into the Nespresso sustainability network followed this club closely, resulting in a relatively prominent position for FNC itself. Even though Colombia was not the largest supplier over the period analyzed and the formal role of both Colombian based traders was limited in the sustainability program to a specific location, the influence of this 'Columbian club' was felt strongly in the definition of the program elements over time and in Columbia's selection as a location for developing program innovations. The impact of these personal relationships can be seen as a natural extension to the multiplex network context of Freeman's (1979) and Burt's (1992) contention of the positional power emanating from network centrality, or equally as the use of social capital (Brass and Burkhardt 1992).

We summarise this discussion in the following propositions, which while consistent with our data again call for further research.

> P3: Power opportunities within a focal network are available to actors occupying central locations or bridging structural holes, whether within the focal network or within parallel multiplex networks.

> P4: Empowered actors may influence network structure and governance to balance innovation and exploitation objectives.

Implications for practitioners

Our data do not contradict Huxham and Vangen's (2005) argument that seeking collaborative advantage is a seriously resource-consuming activity and should only be considered when the stakes are really worth pursuing. The first question that arises for managers, then, is the role that sustainability plays in the overall business strategy. Alvarez (2009) identifies three archetypal choices: a 'defensive' strategy establishing common baseline standards as proactive postures with regulators to influence future regulation (Aragon-Correia and Sharma 2003); a 'selective engagement' choosing specific areas in the organization that engage in specific sustainability projects; and a 'sustainability as core' strategy where sustainability is intimately linked to the value, mission and business strategy of the corporation. This choice will have implications for the role of sustainability networks and the choice of partners. This case provides an example of selective engagement: sustainable sourcing offered an opportunity to differentiate the company in its coffee sourcing, while at the same time, activities in coffee machine and retail business units were not seen as having sustainability implications. Partners were identified with relevance to this specific engagement and tended to be focused on these specific activities, as was the case with agricultural based NGOs for example. By contrast, in a 'sustainability as core' strategy, exemplified in the coffee sector by Cafédirect (Tallontire 2000; Davies 2008), partners are instrumental in achieving the goals of the company as a whole and presumably need to be aligned with the values and culture of the company. The Common Code for the Coffee Community illustrates the defensive strategy: here, partners may be chosen due to their collective weight in influencing the setting of minimal standards or pre-empting legislation through self-regulation.

In each case, though, new relationships are likely to be needed, and except for the defensive strategy, these relationships may need to be more cooperative and less arms-length than has typically been the case in supply chain relationships for commodities and other relatively standardised goods. In seeking partners, our study suggests it will be useful to incorporate information on connectivity with and between potential partners in parallel networks – relationships formed for different purposes. Though our field experience suggests this often happens inadvertently, conscious assessment of parallel networks can provide valuable information on where trust, social capital or working knowledge can enable relationship formation with lower risk.

Particularly in the case of personal relationships, these linkages may not be evident at first sight. Choi et al. (2001) relay the frustration experienced by managers spending significant amounts of time mapping supply systems only to find that these had already changed. Perhaps social network sites, which map personal and professional connections among people in various organizations, may prove useful in eliciting existing ties efficiently; similarly, e-mail flows may be analyzable for characteristics such as centrality or density.

Literature stresses the importance during the network creation process of establishing initial clear objectives for the relationship, delineating clearly the resources involved and identifying expected results (Dwyer and Oh 1988, p. 21; Ellram and Edis 1996, p. 20). Our findings offer an alternative view, at least for the sustainability context where actors may need to go through the significant innovation of embracing the logic, practices and institutional fields of a whole new institution, and suggest adapting governance mechanisms to the context and to network objectives. For Nespresso and its partners, there was environmental uncertainty as to the future market demand for sustainability and hence the end goal was not clear. As novices in sustainability, many partners did not have an appreciation of the resources that would need to be involved, and network activities were vague. This called in the first instance for an exploratory network (March 1991, 1995) in which overly-rigid initial coordination mechanisms might have constrained fruitful experimentation. As efficiency and productivity became more salient, more formal mechanisms of coordination and control appropriate to an exploitation network (March 1995) became appropriate.

Managers with influence over network structure and governance may therefore wish to consider consciously whether innovation or exploration is a priority at a given point in time and aim to influence an appropriate network design accordingly. Such intervention was apparent in this case particularly from Nespresso, not just in initial network design but also in the inclusion as the network evolved of actors that could offer scale, but who may not have found it easy to be agile and innovative at earlier stages.

Limitations and research directions

The study is limited in its examination of a single sustainability network and the need to observe caution in generalizing any findings beyond the specific context studied (Doz 1996). Because the number of multi-stakeholder sustainability networks already in the execution stage is still very limited, each may as yet represent an ‘extreme or unique’ case deserving single-case analysis (Yin 1994). Further case studies using egocentric networks, albeit informed by multiplexity, would be beneficial, particularly to explore networks with defensive or ‘sustainability as core’ strategic logics (Alvarez 2009), and to assess how typical is the Nespresso network’s evolution from informal exploration to formal exploitation – an evolution so strikingly at odds with the common assumption that formality is needed in network governance on network creation to mitigate uncertainty (Dwyer and Oh 1988; Ellram and Eddis 1996). An explicitly longitudinal approach to data collection in such work would reduce the inherent risk of post sense-making or impression management (Eisenhardt and Graebner 2007) in a retrospective longitudinal study.

The study of the impact of joint affiliation in sustainability networks also deserves additional attention. In this case, actor affiliation in other sustainability networks, while outside the scope of our formal network analysis, seemed to promote a mimetic adoption of practices including network structure (Ahuja 2000; Galaskiewicz and Burt 1991). Although a fair degree of heterogeneity is still present among sustainability programs in this sector, we found that these differences tended to decrease with time, consistent with the institutional theory view that as common alliance practices emerge, they are copied over time and eventually become generally accepted practices (Baum and Oliver 1991; Brass et al. 2004). Study of sustainability networks at the industry level, as opposed to our egocentric network approach, would aid in exploring this issue further.

A third limitation is the study's primary focus on network position as a key indicator of opportunities to exert power. Power in a sustainability network seems to exhibit some differences from traditional buyer-supplier relationships:

> In the traditional model, the one buying was the one dictating the rules. Here, however, this power is not so absolute and there are a lot of other considerations… (Nespresso Executive).

For example, we have observed that the NGOs exerted influence not just because of their ties in the Sustainable Agriculture Network but also through their expertise and reputation. A possible extension of the research could analyze jointly alternative sources of power present in parallel networks and their effect on the network under study.

A related extension might usefully focus explicitly on value, through analysis of value propositions offered by and sought by each actor (Vargo and Lusch 2008), value-in-use perceptions of all actors at each point in the network including end customers (Macdonald et al. 2009), and how this value arises from the co-creation processes that network actors collectively engage in (Payne et al. 2008).

Concluding remarks

Sustainability presents marketers with real and present challenges in supplier-customer relationships, including understanding the changing customer, crafting the value proposition, communicating this proposition, and influencing customer behavior. It would be a mistake, though, to ignore the wider location of these dyadic relationships in both sustainability-related and other networks. The bewildering array of network influences on the focal sustainability network of our study is reminiscent of Vargo and Lusch's (2008 , p.7) remark that "the context of value creation is networks of networks (resource integrators)". Any analysis of this case context which had focused purely on the buyer relationships and channel design of a supplier such as a trader or farmer co-operative, or equally on the supply chain of Nespresso, might have missed much of relevance to the nature and very continued existence of these ties. Our work contributes to the sparse literature on multiplex networks; more is needed.

Neither can these networks be regarded as static. In Lusch et al. (2010)'s call for a reorientation of thinking around not supply chain networks but around wider value networks of which the supply chain forms a part, the authors are explicit about the dynamic nature of such networks: "Value networks are like living organisms and thus are constantly learning, evolving and adapting to changing requirements." Insofar as network architects were active in our case, their influence was exerted and re-exerted over a considerable period, with no particular indication of a steady state being reached. This sustainability network seemed unusual, relative to the literature, in becoming more rather than less formal in governance over time; whether such a trend from innovation to exploitation proves to be a common or normatively desirable feature of sustainability networks, a network dynamic perspective - "often called for but rarely chosen" (Salk 2005) – seems essential to fully understand the context within which value co-creation evolves.

References

Adobor, H. (2006). The role of personal relationships in inter-firm alliances: Benefits, dysfunctions, and some suggestions. *Business Horizons, 49,* 473-486.

Ahuja, G. (2000). Collaboration networks, structural holes, and innovation: A longitudinal study. *Administrative Science Quarterly, 45,* 425-455.

Ahuja, G., Soda, G. & Zaheer, A. (2007). The genesis and dynamics of networks. *Organization Science, 18,* 1024-1025.

Alvarez, G. (2009). Fair trade and beyond: Voluntary standards and sustainable supply chains. In C. Mena & G. Stevens (Eds.), *Delivering performance in food supply chain*s, pp. 478-510 Cambridge, UK: Woodhead.

Anderson, E. & Weitz, B. (1992). The use of pledges to build and sustain commitment in distribution channels. *Journal of Marketing Research, 29,* 18-34.

Aragon-Correa, J. A. & Sharma, S. (2003). A contingent resource-based view of proactive corporate environmental strategy. *The Academy of Management Review, 28,* 71-88.

Argenti, P. A. (2004). Collaborating with activists: How Starbucks works with NGOs. *California Management Review, 47,* 91-116.

Ariño, A. & de la Torre, J. (1998). Learning from failure: Towards an evolutionary model of collaborative ventures. *Organization Science, 9,* 306-325.

Arya, B. & Salk, J. (2006). Cross-sector alliance learning and effectiveness of voluntary codes of corporate social responsibility. *Business Ethics Quarterly, 16,* 211-234.

Baum, J. A. C. & Oliver, C. (1991).Institutional linkages and organizational mortality. *Administrative Science Quarterly, 36,* 187-219.

Benson, J. K. (1975). The interorganizational network as a political economy. *Administrative Science Quarterly, 20,* 229-249.

Borgatti, S.P. (2002). *Netdraw Network Visualization*. Harvard, MA: Analytic Technologies.

Borgatti, S.P., Everett, M.G. & Freeman, L.C. (2002), *Ucinet for Windows, Version 6.207*, Harvard, MA: Analytic Technologies.

Borgatti, S. P. & Foster, P. C. (2003). The network paradigm in organizational research: A review of typology. *Journal of Management, 29,* 991-1013.

Brass, D. J. & Burkhardt, M. (1992). Centrality and power in organizations. In N. Eccles & and R.G. Nohria (Eds.), *Networks and organizations: Structure, form and action* (pp. 191-215). Boston: Harvard Business School Press.

Brass, D. J., Galaskiewicz, J., Greve, H. R. & Tsai, W. (2004). Taking stock of networks and organizations: A multilevel perspective. *Academy of Management Journal, 47,* 795-817.

Burkhardt, M. E. & Brass, D. J. (1990). Changing patterns of patterns of change: The effects of A C. *Administrative Science Quarterly, 35,* 104-127.

Burt, R. (1992). *Structural holes.* Boston: Harvard University Press.

Campbell, J. (2007) Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility. *Academy of Management Review*, *32*(3), 946-967.

Cavinato, J. L. (1992). A total cost/value model for supply chain competitiveness. *Journal of Business Logistics, 13,* 285-303.

Choi, T. Y., Dooley, K. J. & Rungtusanatham, M. (2001). Supply networks and complex adaptive systems: Control versus emergence. *Journal of Operations Management, 19,* 351-366.

Choi, T. Y. & Krause, D. R. (2006). The supply base and its complexity: Implications for transaction costs, risks, responsiveness, and innovation. *Journal of Operations Management, 24,* 637-652.

Coviello, N. E. (2005). Integrating qualitative and quantitative techniques in network analysis. *Qualitative Market Research, 8,* 39-60.

Das, T. K. & Teng, B. S. (2000). A resource based theory of strategic alliances. *Journal of Management, 26,* 31-62.

David, R. J. & Han, S. (2004). A systematic assessment of the empirical support for Transaction Cost Economics. *Strategic Management Journal, 25,* 39-58.

Davies, I. A. (2007).The eras and participants of fair trade: an industry structure/stakeholder perspective on the growth of the fair trade industry. *Corporate Governance, 7,* 455-470.

Davies, I. A. (2009). Alliances and networks: Creating success in the UK Fair Trade market. *Journal of Business Ethics, 86,* 109-126.

Davis, J. (2008). *Network Plasticity and collaborative innovation: Pruning and pairing process in network reorganization*. Cambridge, MA : Sloan School of Management Working Papers.

Dekker, H. C. (2004). Control of inter-organizational relationships: evidence on appropriation concerns and coordination requirements. *Accounting, Organizations & Society, 29*, 27-49.

DiMaggio, P. J. & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review, 48*(2) 147-160.

Dolan, C. & Humphrey, J. (2000). Governance and trade in fresh vegetables: Impact of UK supermarkets on the African horticulture industry. *The Journal of Development Studies, 37,* 147-176.

Doz, Y. L. & Hamel, G. (1998). *Alliance advantage: The art of creating value through partnering.* Boston, MA: Harvard Business School Press.

Doz, Y. L. (1996). The evolution of cooperation in strategic alliances: Initial conditions or learning processes? *Strategic Management Journal, 17,* 55-83.

Dwyer, F. R. & Oh, S. (1988). A transaction cost perspective on vertical contractual structure and interchannel competitive strategies. *Journal of Marketing, 52*(2), 21.

Eisenhardt, K. M. & Graebner, M. E. (2007).Theory building from cases: Opportunities and challenges. *Academy of Management Journal, 50,* 25-32.

Eisenhardt, K. M. & Schoonhoven, C. B. (1996). Resource-based view of strategic alliance formation: Strategic and social effects in entrepreneurial firms. *Organization Science, 7,* 136-150.

Ellram, L. M. & Edis, O. R. V. (1996). A case study of successful partnering implementation. *International Journal of Purchasing and Materials Management, 32*(4), 20.

Flint, D.J. & Mentzner, J.T. (2006). Striving for integrated value chain management given a service-dominant logic for marketing. In R.F. Lusch & S.L. Vargo (Eds.), *The service-dominant logic of marketing: Dialog, debate, and directions* (pp. 139-149). Armonk, NY: Sharpe.

Freeman, L. C. (1979).Centrality in social networks: Conceptual clarification. *Social Networks, 1,* 215-239.

Galaskiewicz, J. & Burt, R. S. (1991). Interorganization contagion in corporate philanthropy. *Administrative Science Quarterly, 36,* 88-105.

Galaskiewicz, J. & Wasserman, S. (1989). Mimetic processes within an interorganizational field: An empirical test. *Administrative Science Quarterly, 34,* 454-479.

Gereffi, G., Humphrey, J. & Sturgeon, T. (2005).The governance of global value chains. *Review of International Political Economy, 12,* 78-104.

Gerlach, M. L. (1992).The Japanese corporate network: A blockmodel analysis. *Administrative Science Quarterly, 37,* 105-140.

Giovannucci, D. & Ponte, S. (2005/6) Standards as a new form of social contract? Sustainability initiatives in the coffee industry. *Food Policy, 30,* 284-301.

Grandori, A. & Soda, G. (1995). Inter-firm networks: Antecedents, mechanisms and forms. *Organization Studies,* 16, 183-214.

Granovetter, M. (1985). Economic action and social structure: The problem of embeddedness. *American Journal of Sociology, 91,* 481-510.

Granovetter, M. S. (1990). The myth of social network analysis as a special in the social sciences. *INSNA Conference,* 1990, San Diego, CA.

Gray, B. (1989). *Collaborating: Finding common ground for multiparty problems.* San Francisco, CA: Jossey-Bass.

Gulati, R. (1995). Does familiarity breed trust? The implications of repeated transactions. *Academy of Management Journal, 38,* 85-112.

Gulati, R. & Gargiulo, M. (1999). Where do interorganizational networks come from? *American Journal of Sociology, 104,* 1439-1493.

Gulati, R. & Singh, H. (1998).The architecture of cooperation: Managing coordination costs and appropriation concerns in strategic alliances. *Administrative Science Quarterly, 43,* 781-815.

Gummeson, E. (2007). Exit services marketing – enter service marketing. *Journal of Customer Behaviour*, 6, 113-141.

Hannan, M. T. & Freeman, J. (1977).The population ecology of organizations. *American Journal of Sociology, 82,* 929-964.

Hanneman, R. A. & Riddle, M. (2005). *Introduction to social network methods.* Riverside, CA: University of California.

Hendry, C., Brown, J., Defillippi, R. & Hassink, R. (1999) Industry clusters: Opto-electronics in 6 regions in UK, USA and Germany. In A. Grandori (Ed.), *Interfirm networks: Organization and industrial competitiveness,* (pp. 151-184). London: Routledge.

Hite, J. M. & Hesterly, W. S. (2001).The evolution of firm networks: From emergence to early growth of the firm. *Strategic Management Journal, 22,* 275-286.

Holland, J. H. (1995). *Hidden Order.* Reading, MA: Addison-Wesley.

Inkpen, A. C. & Currall, S. C. (2004). The coevolution of trust, control, and learning in joint ventures. *Organization Science, 15,* 586-599.

Jones, C., Hesterly, W. S. & Borgatti, S. P. (1997).A general theory of network governance: Exchange conditions and social mechanisms. *The Academy of Management Review, 22,* 911-945.

Kilduff, M. & Tsai, W. (2003). *Social networks and organization.* Thousand Oaks, CA: SAGE.

Koka, B. R., Madhavan, R. & Prescott, J. E. (2006). The evolution of interfirm networks: Environmental effects on patterns of network change. *The Academy of Management Review, 31,* 721-737.

Koza, M. P. & Lewin, A. Y. (1998).The co-evolution of strategic alliances. *Organization Science, 9,* 255-264.

Krackhardt, D. (1992). The Strength of Strong Ties: The importance of Philos in organizations. In N. Eccles & R.G. Nohria (Eds.) *Networks and Organizations: Structure, Form and Action* (pp. 216-239). Boston: Harvard Business School Press.

Lambert, D.M. & Garcia-Dastugue, S.J. (2006). Cross-functional business processes for the implementation of service-dominant logic. In R.F. Lusch & S.L. Vargo (Eds.), *The service-dominant logic of marketing: Dialog, debate, and directions* (pp. 150-165). Armonk, NY: Sharpe.

Lamming, R., Johnsen, T., Zheng, J. & Harland, C. (2000). An initial classification of supply networks. *International Journal of Operations and Production Management, 20,* 675-691.

Lusch, R.F., Vargo, S.L. & Tanniru, M. (2010). Service, value networks and learning. In press for *Journal of the Academy of Marketing Science*, doi: 10.1007/s11747-008-0131-z.

Macdonald, E. K., Wilson, H. N., Martinez, V. & Toosi, A. (2009). Assessing the value-in-use of integrated product-service offerings: A repertory grid approach. *Frontiers in Service conference*, Hawaii, October.

March, J. G. (1991). Exploration and exploitation in organizational learning. *Organization Science, 2,* 71-87.

March, J.G. (1995). The future, disposable organizations and the rigidities of imagination. *Organization, 2*(3-4), 427-440.

Matten, D. & Moon, J. (2008) 'Implicit' and 'explicit' CSR – A conceptual framework for a comparative understanding of corporate social responsibility. *Academy of Management Review*, *33*(2), 404-424.

McColl-Kennedy, J. R., Vargo, S. L., Dagger, T., & Sweeney, J. C. (2009). Customers as resource integrators: Styles of customer co-creation. *Naples Forum on Services*, Capri, June.

McEvily, B., Perrone, V. & Zaheer, A. (2003). Trust as an organizing principle. *Organization Science, 14,* 91-106.

Miles, M. B. & Huberman, A. M. (1994). *Qualitative data analysis: An expanded source-book.* London: Sage Publications.

Mizruchi, M. & Galaskiewicz, J. (1994). Networks of interorganizational relations. In S. Wasserman and J. Galaskiewicz (Eds.), *Advances in Social Network Analysis* (pp. 230-253). California: Sage Publications.

Muradian, R. & Pelupessy, W. (2005).Governing the coffee chain: The role of voluntary regulatory systems. *World Development, 33,* 2029-2044.

Nespresso (2006). *News Release: Nespresso on Course for Impressive Growth,* Retrieved December 30, 2009 from www1.nespresso.com/mediacenter/internationalReleases

Nespresso (2007). *Second Stakeholder Forum Report.* Lausanne: Nespresso Corporate Communications.

Nespresso (2008*). Nespresso AAA Sustainable Quality Progra*m. Retrieved January 12, 2009 from http://www.nespresso.com/aaa-program/en/approach/.

Nohria, N. (1992). Is network perspective a useful way of studying organizations? In N. Eccles and R.G. Nohria (Eds.) *Networks and organizations: Structure, form and action* (pp. 1-22). Boston: Harvard Business School Press.

Olk, P. & Earley, C. (2000). Interpersonal relationships in international strategic alliances: Cross-cultural exchanges and contextual factors. In D. Faulkner and M. De Rond (Eds.) *Cooperative Srategy: Economic, Business and Organizational Issues* (pp. 307-323). Oxford: Oxford University Press.

Overdevest, C. (2004). Codes of conduct and standard setting in the forest sector: Constructing markets for democracy? *Relations Industrielles, 59,* 172-195.

Owen-Smith, J. & Powell, W. W. (2004). Knowledge networks as channels and conduits: The effects of spillovers in the Boston biotechnology community. *Organization Science, 15,* 5-21.

Parkhe, A., Wasserman, S. &Ralston, D. A. (2006) New frontiers in network development. *The Academy of Management Review, 31,* 560-568.

Payne, A., Storbacka, K., & Frow, P. (2008). Managing the co-creation of value. *Journal of the Academy of Marketing Science, 36,* 83-96.

Peterman, M. L. (1997). The effects of concrete and abstract consumer goals on information processing. *Psychology and Marketing, 14,* 561-583.

Ponte, S. & Gibbon, P. (2005). Quality standards, conventions and the governance of global value chains. *Economy and Society, 34,* 1-31.

Potts, J., Fernandez, G. & Wunderlich, C. (2007). *Trading practices for a sustainable coffee sector.* Winnipeg, Manitoba: International Institute for Sustainable Development.

Powell, W. W., Koput, K. W. & Smith-Doerr, L. (1996). Interorganizational collaboration and the locus of innovation: Networks of learning in biotechnology. *Administrative Science Quarterly, 41,* 116-146.

Provan, K. G., Fish, A. & Sydow, J. (2007). Interorganizational networks at the network level: A review of the empirical literature on whole networks. *Journal of Management, 33,* 479-516.

Provan, K. G. & Kenis, P. (2008). Modes of network governance: Structure, management, and effectiveness. *Journal of Public Administration Research and Theory, 18,* 229-252.

Provan, K. G. & Milward, H. B. (1995).A preliminary theory of interorganizational network effectiveness: A comparative study of four community mental health systems. *Administrative Science Quarterly, 40,* 1-33.

Puccinelli, N. M., Goodstein, R. C., Grewal, D., Price, R., Raghubir, P., & Stewart, D. (2009). Customer experience management in retailing: Understanding the buying process. *Journal of Retailing, 85,* 15-30.

Raynolds, L. T. (2009). Mainstreaming Fair Trade coffee: From partnership to traceability. *World Development, 37,* 1083-1093.

Raynolds, L.T., Murray, D. & Taylor, P.L. (2004). Fair trade coffee: Building producer capacity via global networks. *Journal of International Development*, *16,* 1109-1121.

Ring, P. S. & Van de Ven, A. H. (1994). Developmental processes of cooperative interorganizational relationships. *The Academy of Management Review, 19, 90-118.*

Salancik, G. R. & Pfeffer, J. (1977).Who gets power - and how they hold on to it: A strategic contingency model of power. *Organizational dynamics, 5,* 2-21.

Salk, J.E. (2005) Often called for but rarely chosen: Alliance research that directly studies process. *European Management Review*, *2*(2), 117.

Skvoretz, J. & Agneessens, F. (2007). Reciprocity, multiplexity, and exchange: Measures. *Quality and Quantity*, *41,* 341-357.

Soda, G., Usai, A. & Zaheer, A. (2004). Network memory: The influence of past and current networks on performance. *Academy of Management Journal, 47,* 893-906.

Tallontire, A. (2009). Top heavy? Governance issues and policy decisions for the fair trade movement. *Journal of International Development, 21,* 1004-1014.

Vargo, S. L., & Lusch, R. F. (2004). Evolving to a new dominant logic of marketing. *Journal of Marketing, 68,* 1-17.

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

Wasserman, S. and Faust, K. (1994). *Social network analysis: Methods and Applications,* Cambridge University Press, Cambridge.

Wilding, R. and Humphries, A. S. (2006). Understanding collaborative supply chain relationships through the application of the Williamson organisational failure framework. *International Journal of Physical Distribution & Logistics Management, 36,* 309-329.

Wilson, H. and Daniel, E. (2007) The multi-channel challenge: a dynamic capabilities approach. *Industrial Marketing Management*, 36, 10-20.

Yin, R. K. (1994). *Case study research: design and methods.* Thousand Oaks, CA: Sage Publications.

Zaheer, A., McEvily, B. & Perrone, V. (1998) Does trust matter? Exploring the effects of interorganizational and interpersonal trust on performance. *Organization Science, 9,* 141-159.

TABLES

Table 1
Interview sample

	Central level	Regional/ National	Local/ Farm	*Total*
Nespresso	8	2		*10*
Coffee traders	6	6	4	*16*
Coffee Cooperatives		1	5	*6*
Farmers			8	*8*
Consultants	1			*1*
Non-Government Organizations	2	3		*5*
Multilateral organizations	1			*1*
Other		1		*1*
Total	*18*	*13*	*17*	***48***

Table 2
Structure analysis of Nespresso Sustainability Network

Characteristic	2003	2004	2005	2006	2007
Size	11	21	26	32	37
Tie creation (deletion)	25 (0)	36 (0)	18 (13)	17 (0)	26 (6)
Total no. of ties	25	61	66	83	103
Network density	0.04	0.09	0.10	0.12	0.16
Network density, excl. isolates	0.45	0.29	0.20	0.17	0.16
Average distance	1.60	1.88	2.10	2.20	2.23
Distance-based cohesion 'compactness'	0.72	0.62	0.56	0.52	0.51
Degree of centrality	54.4%	50.8%	34.3%	37.2%	27.7%
Centrality – top nodes (share %)	Nespresso HQ (18%) Rainf. All. HQ (14%) Ecom CTCA (12%) Goodbrand (10%) Rainf. All CTCA (10%)	Nespresso HQ (12%) Rainf. All. HQ (8%) Ecom CTCA (7%) FIIT GALA (7%) FundaNat COLB (7%)	Nespresso HQ (10%) FundaNat COLB (8%) Nespresso CTCA (8%) FIIT GALA (6%) ProNatura MEXI (6%)	Nespresso HQ (10%) Nespresso CTCA (8%) FundaNat COLB (7%) Rainf. All. CTCA (7%) FIIT GALA (5%)	Nespresso COLB (7%) Nespresso CTCA (7%) FundaNat COLB (6%) Nespresso HQ (6%) Rainf. All. CTCA (5%)

Figure 1
Nespresso Sustainability Network 2003

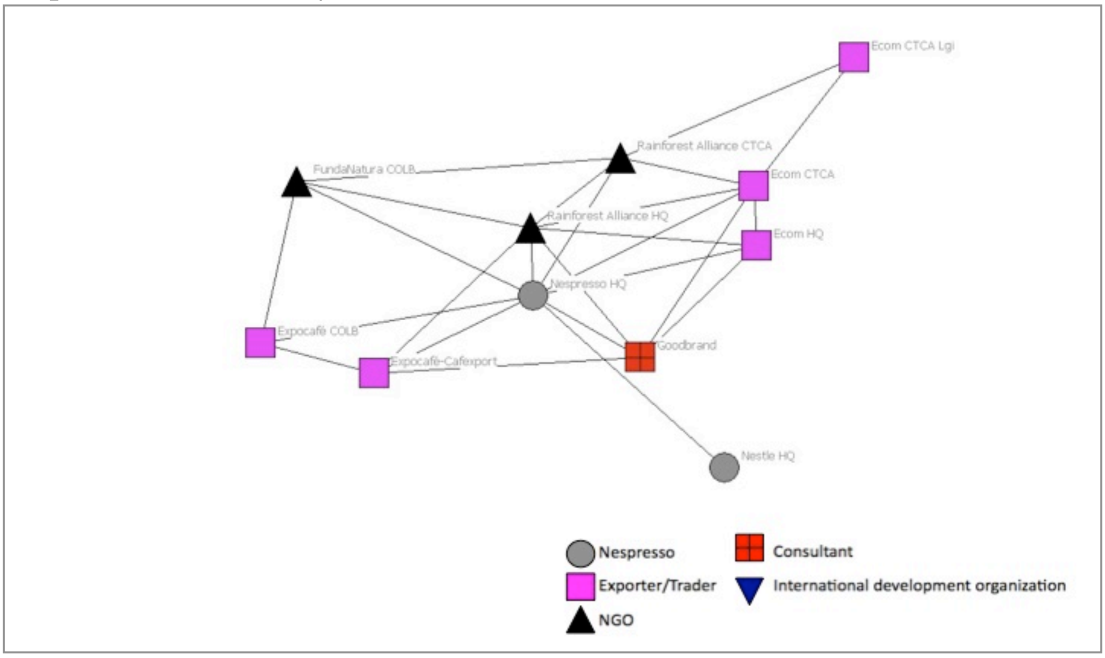


Figure 2
Nespresso Sustainability Network 2005

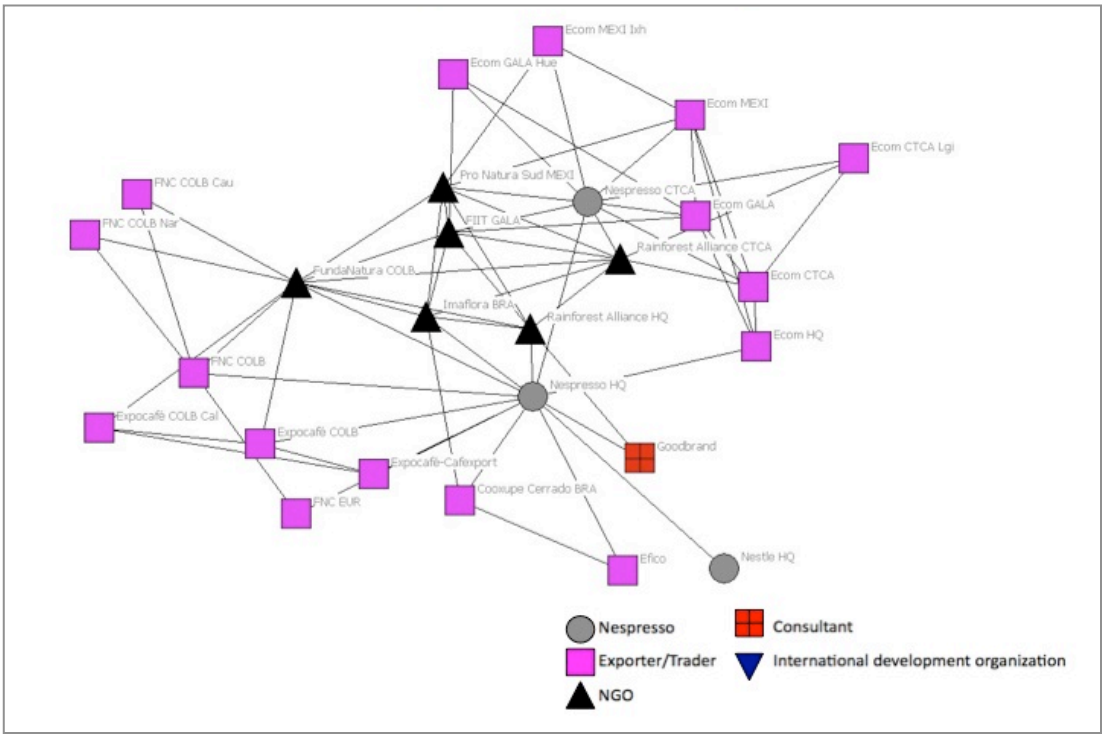


Figure 3
Nespresso Sustainability Network 2007

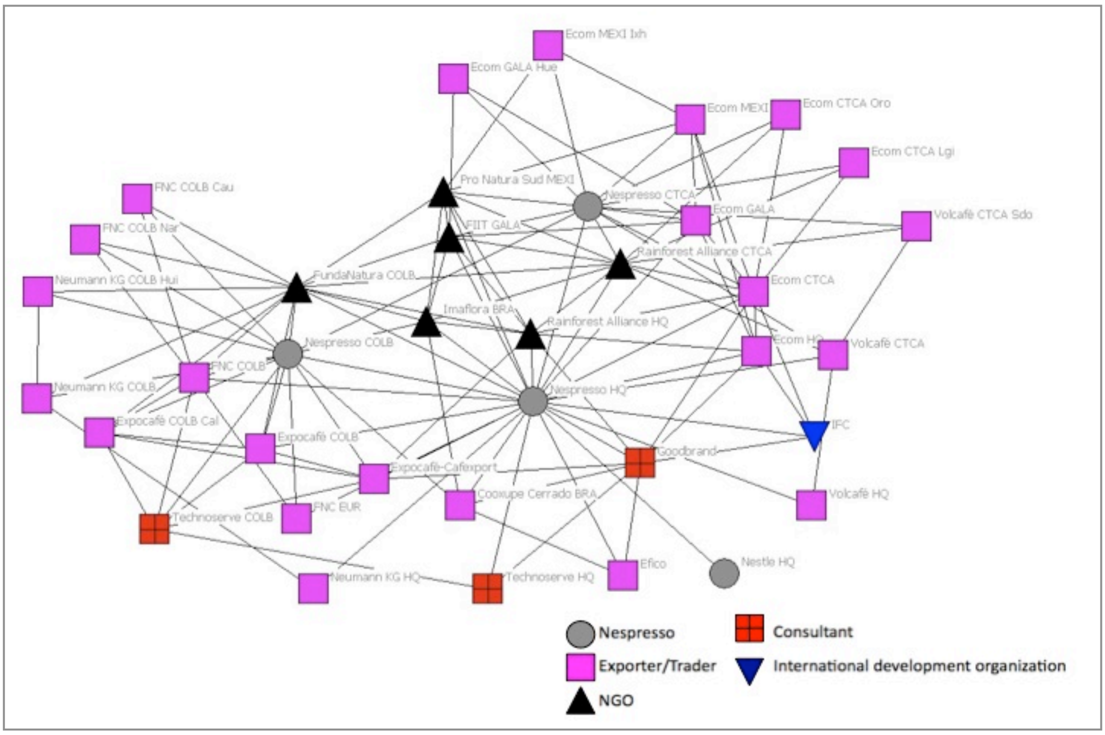


Figure 4
Commercial ties among Sustainability Network participants, 2002

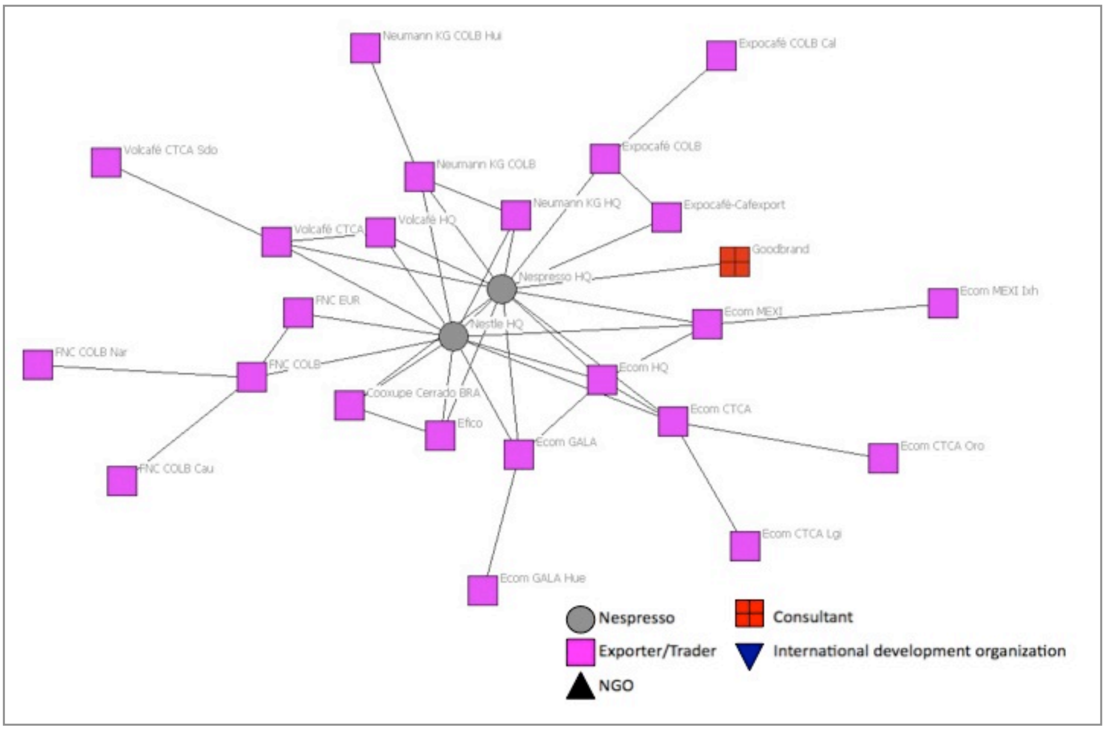


Figure 5
Personal ties among Sustainability Network participants, 2002

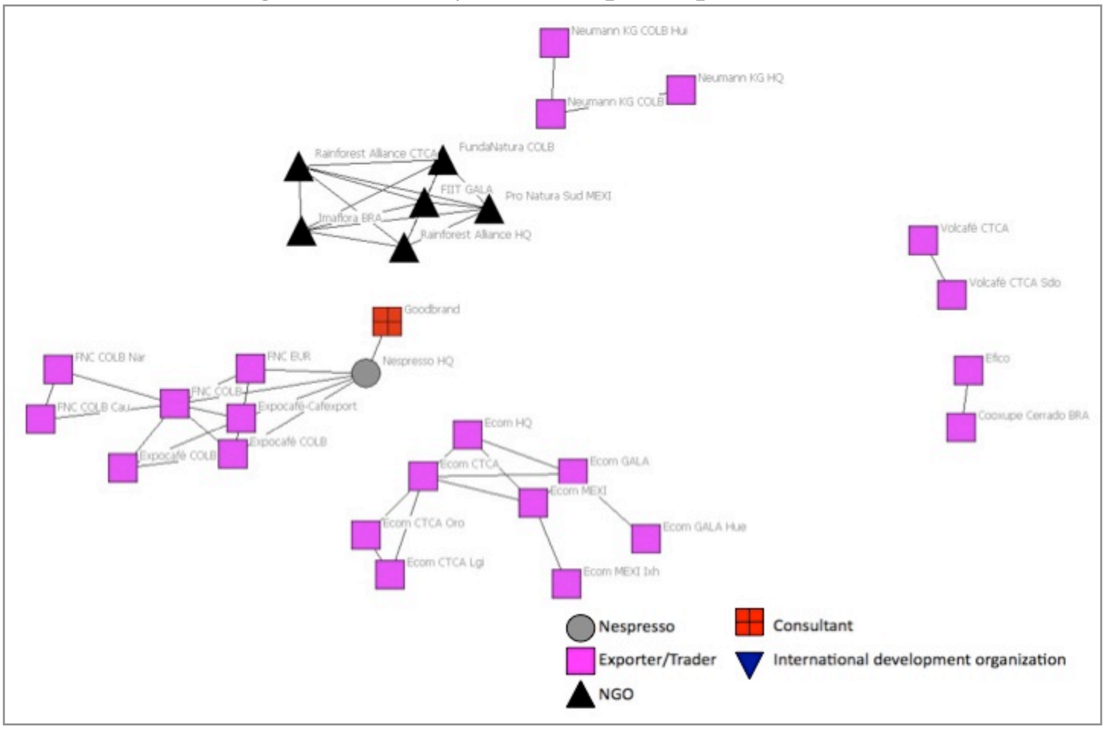


Figure 6
Pearson correlations for multiplex relationships over time

Commercial-AAA Correlations

QAP Statistics

		1 Relat	2 Relat	3 Relat	4 Relat	5 Relat	6 C2002	7 C2003	8 C2004	9 C2005	10 C2006	11 C2007	12 P2002	13 P2003	14 P2004	15 P2005	16 P2006	17 P2007
1	Relationships2003	1.000	0.622	0.384	0.332	0.243	0.237	0.230	0.202	0.202	0.202	0.202	0.227	0.227	0.216	0.307	0.285	0.275
2	Relationships2004	0.622	1.000	0.731	0.637	0.498	0.298	0.288	0.272	0.272	0.272	0.272	0.550	0.550	0.551	0.588	0.548	0.530
3	Relationships2005	0.384	0.731	1.000	0.879	0.706	0.301	0.331	0.316	0.316	0.316	0.316	0.623	0.623	0.595	0.638	0.704	0.682
4	Relationships2006	0.332	0.637	0.879	1.000	0.807	0.345	0.369	0.357	0.357	0.357	0.357	0.578	0.578	0.554	0.590	0.647	0.641
5	Relationships2007	0.243	0.498	0.706	0.807	1.000	0.293	0.298	0.287	0.287	0.287	0.287	0.522	0.522	0.518	0.532	0.581	0.604
6	C2002	0.237	0.298	0.301	0.345	0.293	1.000	0.976	0.963	0.963	0.963	0.963	0.386	0.386	0.382	0.417	0.387	0.374
7	C2003	0.230	0.288	0.331	0.369	0.298	0.976	1.000	0.988	0.988	0.988	0.988	0.422	0.422	0.395	0.451	0.419	0.405
8	C2004	0.202	0.272	0.316	0.357	0.287	0.963	0.988	1.000	1.000	1.000	1.000	0.404	0.404	0.389	0.434	0.403	0.389
9	C2005	0.202	0.272	0.316	0.357	0.287	0.963	0.988	1.000	1.000	1.000	1.000	0.404	0.404	0.389	0.434	0.403	0.389
10	C2006	0.202	0.272	0.316	0.357	0.287	0.963	0.988	1.000	1.000	1.000	1.000	0.404	0.404	0.389	0.434	0.403	0.389
11	C2007	0.202	0.272	0.316	0.357	0.287	0.963	0.988	1.000	1.000	1.000	1.000	0.404	0.404	0.389	0.434	0.403	0.389
12	P2002	0.227	0.550	0.623	0.578	0.522	0.386	0.422	0.404	0.404	0.404	0.404	1.000	1.000	0.959	0.967	0.908	0.882
13	P2003	0.227	0.550	0.623	0.578	0.522	0.386	0.422	0.404	0.404	0.404	0.404	1.000	1.000	0.959	0.967	0.908	0.882
14	P2004	0.216	0.551	0.595	0.554	0.518	0.382	0.395	0.389	0.389	0.389	0.389	0.959	0.959	1.000	0.950	0.892	0.866
15	P2005	0.307	0.588	0.638	0.590	0.532	0.417	0.451	0.434	0.434	0.434	0.434	0.967	0.967	0.950	1.000	0.939	0.912
16	P2006	0.285	0.548	0.704	0.647	0.581	0.387	0.419	0.403	0.403	0.403	0.403	0.908	0.908	0.892	0.939	1.000	0.971
17	P2007	0.275	0.530	0.682	0.641	0.604	0.374	0.405	0.389	0.389	0.389	0.389	0.882	0.882	0.866	0.912	0.971	1.000

Personal-AAA Correlations

Personal-Commercial Correlations

Relationship= AAA Network
C= Commercial
P= Personal

Sustainability and Consumption: Special Session

Niki Hynes* and Juliette Wilson**

*Curtin University, Curtin Graduate School of Business (CGSB), 78 Murray Street, Perth W 6000, Australia
** University of Strathclyde – Business School, Department of Marketing, 199 Cathedral Street, Glasgow G4 0QU, UK

This special session aims to examine the way in which consumers can make informed decision making and how relationships with trusted suppliers can be used to encourage sustainable consumption.

Keywords: sustainability, consumers, trust, relationships, supply chain

Imagine a future world where consumers visit their supermarkets or other stores for their family weekly shop. On each product shelf label a small eco-indicator tells consumers how environmentally friendly that product is. When they pay, their till receipt includes a Q code barscan which they capture on their mobile phones, upload to facebook (or other social media site) and using an app on both their smartphone/facebook, they can not only tell their friends how much they care for the world, they can map their consumption and compare to other families. After a few weeks of shopping, Mrs X compares her purchasing to others on facebook; she is shocked and realises she is buying far more packaged and processed products than other typical families as well as less local products, and at the back of her mind, she thinks she is throwing too much food away. She starts to make an informed choice about her future shopping choices. A year later, Mrs X starts to be billed by weight and volume of rubbish collected from her house, and really starts to understand her impact on the environment.
This sort of comparison and information is starting to become available for some products such as white goods and services such as electricity but the information is not currently available for food, clothing and other FMCG goods and therefore consumer actions, their relationships with suppliers and producers if this information would be available remains an area for further research.

With the importance of climate change becoming ever more pressing, changing consumer behaviour through informed decision making may become one of the most important ways to impact consumption and to build consumer relationships built on truthful and trustworthy information (Korda and Itani, 2011).

This special session aims to examine the way in which consumers can make informed decision making and how relationships throughout the supply chain can impact this. Although the provision of extra information about products can reduce uncertainty and increase knowledge (Gracia and de Magistris 2007; Stobbelaar et al 2007), it is also unknown how much that information impacts decision making at point of purchase. For example, for FMCG goods as an example, an average consumer takes less than 5 seconds to choose between two or more different products in a supermarket (Solomon et al., 2006; Aertsens et al., 2009).

Price, quality, packaging, labelling, position on the shelf and point of purchase promotions, (BOGOF / loyalty points etc.) may influence the consumer's decision making. Yet relationships and trust with suppliers and retailers may also play a role. Many products (eg. a Fairtrade chocolate bar), are inundated with labels: including Brand, type of chocolate, Fairtrade, AB Bio, Euro green labels, nutritional information, ingredients, and other words, and many supermarkets have additional signposting labels (Organic / Bio week/ Ethical fish production / Local produce) even further confusing matters. Consumers, and indeed Producers and Retailers are faced with a multitude of often conflicting messages include messages such as: reduce food miles, buy locally, buy organic, reduce carbon emission, animal welfare, (notably, very little on reducing waste), which reflects a lack of coherent policies at regional, National and European levels. Information overload, lack of time, lack of understanding and lack of belief can all impact consumer decision-making (Aarset et al 2004; Lockie et al 2002). In addition, where perceived "green product choices" exist, there are additional consumption barriers including the relatively high price premium (Aertsens et al 2009; Hughner et al 2007); lack of trust, and uncertainty in authenticity of the product (Padel and Foster 2005; Hughner et al 2007).

Whilst the first step in changing consumer behaviour is to provide factual and simple to understand information (www.Europa7.com), consumers can easily be overwhelmed with choice and information. Yet on the other hand, consumers require information and indeed seek information to feel empowered and make informed choices (Gracia and de Magistris 2007; Stobbelaar et al 2007). Except for isolated issues such as Bio/ Organic labelling, Soil association etc., little or no attention is paid to the environmental impact of each purchase. However recent European programmes such as labelling of white goods with green labels has had a profound effect on consumer behaviour illustrating the potential that could be made at the consumer level with cooperation of the supply chain and trustworthy communication.

The impact of labelling and other responsible marketing campaigns is complex, and involves forming a level of trust with the consumer: the relationship between the producer, the supply chain and the consumer may be paramount. Increasing environmentally friendly behaviours requires a concerted effort from consumers, supply chains, and producers as well as policy makers.
This special session aims to debate these issues.

References

Aertsens, J., Verbeke, W., Mondelaers, K., Van Huylenbroeck, G. (2009), Personal determinants of organic food consumption: a review. *British Food Journal*. Vol. 111 Iss: 10 pp. 1140 – 1167

Aarset, B., Beckmann, S., Bigne, E., Beveridge, M., Bjorndal, T., and Bunting, J. (2004), The European consumers' understanding and perceptions of the "organic" food regime. The case of aquaculture, *British Food Journal*, Vol. 106 (2), pp. 93-105

Gracia, A., and de Magistris, T. (2007), Organic food product purchase behaviour: a pilot study for urban consumers in the South of Italy, *Spanish Journal of Agricultural Research*, Vol. 5 No.4, pp.439-51.

Hughner, R. S., McDonagh, P., Prothero, A., Shultz, C. J., II and Stanton, J. (2007), Who are organic food consumers? A compilation and review of why people purchase organic food, *Journal of Consumer Behaviour*, Vol. 6(2-3), pp. 94-110.

Korda, H. and Itani, Z (2011). Harnessing social media for health promotion and behaviour change, *Health Promotion Practice,* Vol. 14 (1), pp.15-23.

Lockie, S., Lyons, K., Lawrence, G., Mummery, K. (2002), Eating green: motivations behind organic food consumption in Australia", *Sociologia Ruralis*, Vol. 42 No.1, pp.23-40.

Solomon, M., Bamossy, G., Askegaard, S. and Hogg, M.K. (2006*), Consumer Behaviour –A European Perspective*, 3rd ed., Pearson Educational, Edinburgh.

Padel, S., and Foster, C. (2005), Exploring the gap between attitudes and behaviour: Understanding why consumers buy or do not buy organic food, *British Food Journal*, Vol. 107 (8), pp. 606-625.

Stobbelaar, D.J., Casimir, G., Borghuis, J., Marks, I., Meijer, L., Zebeda, S. (2007), Adolescents' attitudes towards organic food: a survey of 15- to 16-year old school children, *International Journal of Consumer Studies*, Vol. 31, pp.349-56.

Social Media and Relationship Marketing

Too Many Friends? The Effects of Online Social Network Size and Intimacy on Happiness Through Social Capital

Andreas Munzel*, Jean-Philippe Galan**, and Lars Meyer-Waarden***

*Toulouse University 1 CRM CNRS (Center of Research in Management, UMR 5303), 2 Rue du Doyen Gabriel Marty, 31042 Toulouse Cedex 9, France
**Valenciennes University; UVHC; CRM (Center of Research in Management, UMR 5303), 2 Rue du Doyen Gabriel Marty, 31042 Toulouse Cedex 9, France
***Toulouse University 1 CRM CNRS & EM Strasbourg Business School, HuManiS, 2 Rue du Doyen Gabriel Marty, 31042 Toulouse Cedex 9, France

By the end of 2013, the largest social networking site, Facebook, counts over 1.23 billion monthly active users. Findings from related disciplines provide support for the positive effects of social activity, interactions, and connectedness on well-being. The present research investigates the effects of size and intimacy of the social network online on happiness through the two social capital facets, bonding and bridging social capital. A study with 1,161 Facebook users shows that both—intimacy and network size—affect happiness through social capital. The findings contribute to the research in marketing and computer-mediated interactions and highlight the impact of technology on relationships.

Keywords: social networking sites, bonding social capital, bridging social capital, network size and intimacy.

In their 2013-released song *Too Many Friends*, alternative rock band Placebo criticizes how technology and social networking sites (SNS), impact interpersonal relationships. The song explains that SNS enable Internet users to connect with too many people, but points out that those relationships lack of social support. As in January 1st 2014, the largest SNS, Facebook, counts over 1.31 billion active monthly users who are on average connected to 130 friends (SocialBrain, 2014). Today, Internet—and SNSs in particular—provides a venue for interpersonal communication and interactions to build and maintain social activity and relations (Bargh & McKenna, 2004; Ross et al., 2009) through the development of social capital (Hoffman, 2012; Pruijt, 2002). However, the existence of social connectedness via SNSs often leaves the question open, if friends in SNSs represent connections between individuals with close, intimate trust relationships or relationships with rather weak ties.

The marketing literature so far still widely neglects this question. The existing results from the studies in computer-mediated communication conducted by Kim and Lee (2011) as well as Manago et al. (2012) on that topic seem to provide support for the somewhat interesting findings by Mitchinson and colleagues (2008) in a medical context: a larger social network, independent from the quality of connections, enhances well-being. Steinfeld and colleagues (2008) provide further support in their longitudinal study: they find that Facebook allows to build and to maintain weak ties among large groups of acquaintances and superficial connections and therefore to enhance bridging social capital, one of the facets of social capital (Lin, 2001; Putnam, 1995) that "occurs when individuals from different backgrounds make connections between social networks" (Williams, 2006, p. 597). However, in order to build (online) social capital and to benefit from social support from close and intimate friends, SNSs such as Facebook might also permit to build bonding social capital (Johnston, Tanner, Lalla, & Kawalski, 2013; Williams, 2006) that “occurs when strongly tied individuals […] provide emotional or substantive support for one another” (Williams, 2006, p. 597). In a recent study, Oh et al. (2014) provide support for the effects of network size on psychological outcomes, but highlight the importance of the quality of interaction between SNS users.

In our research, we seek to investigate to what extent size and intimacy of the social network on Facebook affect the individual’s subjective well-being. To investigate this main research question, the effects of the two characteristics of the respondents’ social networks on Facebook (i.e., size and intimacy) on their happiness with the SNS and subjective well-being were analyzed by including the two facets of social capital (i.e., bonding and bridging) as potential mediators. Respondents to our survey were acquired in April 2014 in collaboration with a large online community. Targeting the members of the online community increased the probability to identify Facebook users. The link to the online questionnaire of our study was posted on the community’s blog. Items to measure respondents’ happiness with Facebook (Niedermeier, in press), and the two social capital facets (Williams, 2006) were adapted from literature and items on the impact of Facebook on overall well-being were adopted. The respondents’ happiness with Facebook was measured through items such as “Taking all things together, I feel happy with Facebook” or “In general, Facebook contributes to consider myself happy”. Bonding social capital was measured through responses such as “Among my Facebook friends: …there are several people I trust to help solve my problems” and “… there is someone that I feel comfortable talking to about intimate personal problems”. The second social capital facet, bridging social capital was measured through items such as “Interacting with my Facebook friends makes me interested in things that happen outside of my town” and “Interacting with my Facebook friends makes me interested in what people unlike me are thinking". All measurement instruments satisfied conventional standards of reliability and validity (Hair, Hult, Ringle, & Sarstedt, 2014). Furthermore, to measure network size, respondents were asked to provide their number of Facebook friends (Kim & Lee, 2011), and to file their friends according to seven relationship intimacy categories (Manago et al., 2012) of which an intimacy index was calculated.

The final sample consists in 1,161 individuals that have one Facebook account they use for personal purposes. The average age is 33.56 years (SD = 9.32) and respondents have on average 148.40 friends (SD = 171.76). First analyses reveal a negative effect of age on the number of friends ($F[1 ;1159] = 39.882$; $p < .001$): ceteris paribus, an individual looses 3.39 friends when growing one year older.

A structural equation modeling approach was adopted by using AMOS for SPSS to test the hypothesized effects of our model. The results show that the size of an individual's network on Facebook (i.e., number of friends) positively affects both facets of social capital, bridging and bonding. The intimacy of the relationships on the SNS positively impacts bonding social capital, but significantly reduces the possibilities to meet other people and to learn about new things (i.e., negative effect on bridging social capital). While both social capital facets increase the perceived happiness with Facebook, bridging social capital has a stronger effect on happiness than bonding. In addition to that, bridging social capital also directly and positively affects the individuals' evaluation of Facebook's impact on their well-being.

The present empirical research contributes to the increasing field of transformative consumer research (Mick et al., 2012) by analyzing the effects of individuals' use of SNSs on their well-being and, hence, provides insights into the impact of technology on relationships. Furthermore, due to recent discussions on the nature of relationships developed and maintained over SNSs such as Facebook (Freeman, 2011; Seligman, 2011), online social capital with its facets, bridging and bonding social capital, was introduced as a potential mediating variable to research if network size, intimacy, or both affect the user's happiness and well-being. Our findings highlight the importance of bridging social capital creation through SNSs, that is the opportunity to learn new things and to connect to new people. This means, while band Placebo criticizes the lack of social support in online relationships, our findings show that bonding presents only one facet of social capital that is leveraged through SNSs. Furthermore, the relevance of bridging social capital has important implications for marketers engaged in social media. Future research should integrate further factors such as the users' motivation to be on Facebook (Smock, Ellison, Lampe, & Wohn, 2011), their depth and frequency of Facebook usage, and individual differences such as extraversion and neuroticism. From a relationship marketer's perspective, it should be further valuable to investigate how marketers' interactions within SNSs are beneficial or rather perceived as intrusion and thus leveraging privacy concerns (Hong & Thong, 2013).

REFERENCES

Bargh, J. A., & McKenna, K. Y. A. (2004). The Internet and social life. *Annual Review of Psychology, 55*(1), 573-590.

Hair, J. F. J., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2014). *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)*. Thousand Oaks, CA: SAGE Publications.

Hoffman, D. L. (2012). Internet indispensability, online social capital, and consumer well-being. In D. G. Mick, S. Pettigrew, C. Pechmann & J. L. Ozanne (Eds.), *Transformative Consumer Research for Personal and Collective Well-Being* (pp. 193-204). New York, NY: Routledge.

Hong, W., & Thong, J. Y. L. (2013). Internet Privacy Concerns: An Integrated Conceptualization and Four Empirical Studies. *MIS Quarterly, 37*(1), 275-298.

Johnston, K., Tanner, M., Lalla, N., & Kawalski, D. (2013). Social capital: the benefit of Facebook 'friends'. *Behaviour & Information Technology, 32*(1), 24-36.

Kim, J., & Lee, J.-E. R. (2011). The Facebook Paths to Happiness: Effects of the Number of Facebook Friends and Self-Presentation on Subjective Well-Being. *CyberPsychology, Behavior & Social Networking, 14*(6), 359-364.

Lin, N. (2001). *Social Capital: A Theory of Social Structure and Action*. New York: Cambridge University Press.

Manago, A. M., Taylor, T., & Greenfield, P. M. (2012). Me and My 400 Friends: The Anatomy of College Students' Facebook Networks, Their Communication Patterns, and Well-Being. *Developmental Psychology, 48*(2), 369-380.

Mitchinson, A. R., Kim, H. M., Geisser, M., Rosenberg, J. M., & Hinshaw, D. B. (2008). Social Connectedness and Patient Recovery after Major Operations. *Journal of the American College of Surgeons, 206*(2), 292-300.

Niedermeier, A. (in press). *Customer happiness - Essays on happiness and its relation to consumption*. Munich: FGM.

Oh, H. J., Ozkaya, E., & LaRose, R. (2014). How does online social networking enhance life satisfaction? The relationships among online supportive interaction, affect, perceived social support, sense of community, and life satisfaction. *Computers in Human Behavior, 30*(0), 69-78.

Pruijt, H. (2002). Social capital and the equalizing potential of the Internet. *Social Science Computer Review, 20*, 109-115.

Putnam, R. D. (1995). Bowling alone: America's declining social capital. *Current*(373), 3-18.

Ross, C., Orr, E. S., Sisic, M., Arseneault, J. M., Simmering, M. G., & Orr, R. R. (2009). Personality and motivations associated with Facebook use. *Computers in Human Behavior, 25*(2), 578-586.

Smock, A. D., Ellison, N. B., Lampe, C., & Wohn, D. Y. (2011). Facebook as a toolkit: A uses and gratification approach to unbundling feature use. *Computers in Human Behavior, 27*(6), 2322-2329.

SocialBrain. (2014). Facebook Statistics.   Retrieved April 23, 2014, from http://www.statisticbrain.com/facebook-statistics/

Steinfield, C., Ellison, N. B., & Lampe, C. (2008). Social capital, self-esteem, and use of online social network sites: A longitudinal analysis. *Journal of Applied Developmental Psychology, 29*(6), 434-445.

Williams, D. (2006). On and Off the 'Net: Scales for Social Capital in an Online Era. *Journal of Computer-Mediated Communication, 11*(2), 593-628.

A study on consumer choice of green, reusable packaging option in e-tailing

Johanna Gummerus and Michaela Lipkin

Hanken School of Economics, Department of Marketing, PO Box 479,
00101 Helsinki, Finland

Abstract

This study reports preliminary findings of an online survey investigating consumer choice of using environmentally friendly *reusable* packaging option offered by a Finnish e-retailer. In this paper, we will report consumer reasons for choosing this packaging option and how the consumer norms influence the assessment of the packaging option. The findings reveal that customers' personal norms, referring to perceived personal obligation to choose ethical options, were positively related to the general attractiveness of the green packaging option, but no relationship was found between self-norm and visual attractiveness.

Keywords: E-tailing, consumer norms, green packaging, online quality

Introduction

To date, ethical consumption in an online context has received limited scholarly attention. Consumer ethicality has been studied in terms of consumers' perceptions of the general ethicality of the online retailer (Limbu, Wolf & Lunsford, 2012). This general ethicality includes dimensions such as security, privacy, non-deception, reliability (Román, 2007), the accuracy of product descriptions and information, honoring intellectual property rights, and the ethicality of general business practices (Yang, Chandlrees, Lin, & Chao, 2009). Thus, they relate to overall perceptions of the e-tailer that are often labeled under the term "e-service quality". Although these general ethicality perceptions are relevant, as they influence consumer trust perceptions and loyalty towards the firm (see e.g. Gummerus et al., 2004; Limbu et al., 2012; Wolfinbarger & Gilly, 2003), they do not capture the consumer reactions to and perceptions of additional ethical services such as packaging. Furthermore, in offline settings, researchers have established a relationship between consumers' moral norms and attitudes and their ‘green’ packaging choices (Thogersen, 1999; Rokka & Uusitalo, 2008). To date, such research is lacking in e-tailing. Consequently, the aim of this study is to investigate why consumers chose to test an environmentally friendly reusable packaging option offered by a Finnish e-retailer, and whether their evaluation of the reusable packaging option was influenced by their moral norms (including both personal norms and social norms).

Method and Study

The empirical study took place through an online survey distributed among customers of a Finnish online retailer. This online retailer is currently running a pilot project, which aims at testing a reusable packaging system developed by a small Finnish start-up company. Reusable packages differ from recyclable packages, because consumers reuse them in their present form, whereas in case of recyclable packages, the raw material is reprocessed to produce new packages. If consumers choose the reusable package, they pay a deposit that will be reimbursed in the next purchase, given that the package is returned to the retailer. Other packaging possibilities available for the online retailer’s consumers are a cardboard post package or letter distributed by the Finnish Postal office.

We collected the data in May 2014. The questionnaire comprised of items that gather data on online quality measures (Fassnacht & Koese, 2006; Parasuraman, Zeithaml & Malhotra, 2005), ethical attitudes and behavior (e.g. Kilbourne & Pickett, 2008), evaluations of the reusable (green) packaging, barriers for not choosing the reusable packaging option (e.g. Gleim, Smith, Andrews & Cronin, 2013; Tanner & Kast, 2003), measures of retailer satisfaction and loyalty (Zeithaml, Berry & Parasuraman, 1996). We also collected some demographic data including gender, age, marital status, income class and place of residence. A number of 728 respondents participated in the study. After deleting the responses containing a large amount of missing values in the attitude items (n=74), the final sample consisted of a total of 654 responses (578 male, 60 female, and 16 unknown).

Results and Discussion

In this paper, we report some preliminary findings. Overall, the respondents reported that the ecological packaging option was highly appealing (general attractiveness 4.53/5 and visual attractiveness 4.04/5). Of the respondents, 258 had chosen to use the ecological packaging (Repack), whereas 390 had opted for not choosing such a packaging option during the test period of 3 months. The main reasons for not choosing the reusable packaging included not noticing the packaging option or not ordering anything from the retailer during the time period the pilot ran.

First, we looked at the reasons as to why the respondents had chosen Repack as the packaging option (see Table 1). As the table shows, the respondents reported high levels of curiosity, but also appreciation for the green packaging option (scale 1=totally disagree, 5=totally agree).

Table1. Reasons for choosing/not choosing the reusable packaging option

Reasons to Choose	Mean	Std. Dev.
Wanted to try out something new	4.26	.985
Wanted to test a new packaging idea	4.34	.896
Wanted to try it out of curiosity	4.41	.905
Wanted to choose a more environmental-friendly packaging option	4.17	1.00
Why not, since already a customer of the e-retailer	4.59	.729
Voucher	3.91	1.14

Furthermore, we tested whether consumers' personal and social norms influenced their evaluation of the green packaging option, because it would be logical to assume that those consumers who feel that they ought to engage in ethical behavior also have a more positive evaluation of the green packaging option. The results of a regression analysis partially supported this expectation, as customer evaluation of the general attractiveness of the packaging option was driven by personal norm (R^2adj.=0.232, $p<0.00$), but not by social norm. The influence of personal norm did, however, not extend to the visual attractiveness of the package, as there was no significant relationship between self-norms, social norms, and the visual look. Furthermore, no significant difference was found between those customers who used the reusable package and those who did not in terms of satisfaction with or loyalty to the e-tailer. Due to the highly positive attitude towards the e-tailer, this finding is natural.

Conclusions

These preliminary findings show that personal norms are influential also in e-tailing, as they influence the evaluations of the perceived attractiveness of the packaging options.

References

Fassnacht, M., & Koese, I. (2006). Quality of electronic services: Conceptualizing and testing a hierarchical model. *Journal of Service Research*, 9 (1), 19–37.

Fernie, J., Sparks, L., & McKinnon, A. (2010). Retail logistics in the UK: past, present and future. *International Journal of Retail & Distribution Management*, 38 (11/12), pp. 894– 914.

Gleim, M., Smith, J., Andrews, D., & Cronin Jr., J. (2013). Against the Green: A Multi-method Examination of the Barriers to Green Consumption. *Journal of Retailing*, 89 (1), 44–61.

Gummerus, J., Liljander, V., Pura, M., & van Riel, A. (2004). Customer Loyalty to Content-Based Web Sites: The Case of an Online Health Care Service. *Journal of Services Marketing*, 18 (3), 175–186.

Kilbourne, W.E., & Pickett, G. (2008). How materialism affects environmental beliefs, concern, and environmentally responsible behavior. *Journal of Business Research*, 61, 885–893.

Limbu, Y. B, Wolf, M., & Lunsford, D. (2012). Perceived ethics of online retailers and consumer behavioral intentions. The mediating role of trust and attitude. *Journal of Research in Interactive Marketing,* 6, 133–154.

Parasuraman, A., Zeithaml, V.A., & Malhotra (2005). E-S-QUAL. A multiple-item scale for assessing electronic service quality. *Journal of Service Research*, 7 (3), pp 213–233.

Pålsson, H., Finnsgård, C., & Wänström, C. (2013). Selection of packaging systems in supply chains from a sustainability perspective – the case of Volvo. *Packaging Technology and Science*, 26 (5), pp. 289–310.

Rokka, J., & Uusitalo, L. (2008). Preference for green packaging in consumer product choices – Do consumers care? *International Journal of Consumer Studies*, 32, pp. 516–525.

Román, S., & Cuestas, P. J. (2008). The perceptions of consumers regarding online retailers' ethics and their relationship with consumers' general internet expertise and word of mouth: A preliminary analysis. *Journal of Business Ethics,* 83, 641–656.

Román, S. (2007). The Ethics of Online Retailing: A Scale Development and Validation from the Consumers' Perspective. *Journal of Business Ethics*, 72(2), pp. 13–148.

Tanner, C., & Kast, S.W. (2003). Promoting Sustainable Consumption: Determinants of Green Purchases by Swiss Consumer. *Psychology & Marketing*, 20(10), pp. 883–902.

Thogersen, J. (1999). The Ethical Consumer. Moral Norms and Packaging Choice. *Journal of Consumer Policy*, 22, pp. 439–460.

Wolfinbarger, M., & Gilly, M.C. (2003). eTailQ: dimensionalizing, measuring and predicting e-quality, *Journal of Retailing*, 79, pp. 183–198.

Yang, M.-H., Chandlrees, N., Lin, B., & Chao, H.-Y. (2009). The effect of perceived ethical performance of shopping websites on consumer trust. *Journal of Computer Information Systems,* Vol. 50 No. 1, pp. 15–24.

Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (1996). The Behavioral Consequences of Service Quality, *Journal of Marketing*, Vol. 60 No. 2, pp. 31–46.

Doctoral Colloquium

Investigating the Issue of Trust: Analysing the Relationship between Banks, Media and Customers

Lakhbir Singh

University of Derby, Faculty of Business, Computing and Law, Kedleston Road, Derby, Derbyshire, DE22 1GB, United Kingdom

The concept of trust is particularly salient in the context of the financial services sector because customers are not in a strong position to make objective assessments of service quality (Mayer et al 1995). But multi-dimensional models of trust such as Kantsberger and Kunz (2010) indicate that emotionally based trust has a cognitive component. Cognitive trust is a customer's confidence or willingness to rely on a service provider's competence and reliability. This can be linked to Foucault's theory of Power and Knowledge and the upper and lower cast system because as Mayer et al 1995 stated the financial sector are the ones in charge. After analysing many journals there is a clear knowledge gap regarding what 'trust' actually is and there are no journals or other literature investigating the issue of 'trust' between banks, customer's and the media looking at it through hegemonic and posthegemonic arrangement. This project will aim to fill this knowledge gap. The aim of this study is to critically assess what comprises 'trust' between customers and banks and how the construct of 'trust' is edited by the media.

During the last decades, the notion of trust has received a great deal of attention in the fields of marketing and management (Gill et al 2006 p. 384). There are many studies of trust with marketing and relationship marketing, for example Palmatier's study in the role of customer gratitude in relationship marketing where Palmatier

(2009) emphasises the role of trust and commitment marketing. The construct of trust has become increasingly important in many industries. While classical transactional-based marketing puts a clear emphasis on discrete transactions, relationship marketing views trust as an instrument to develop and maintain profitable relationships for the mutual purposes of the parties involved. Hence, trust is widely accepted as a key mediating variable in the service relationship (Palmatier 2009). Despite the importance of trust, this construct is measured very differently. Authors have found that trust is often conceptualized and measured in different ways and, as Sako (1992) argues it encompasses different aspects such as credibility, confidence, reliability, honesty, or benevolence. But in this instance the reference object of customer trust can vary and be related to an individual as well as to an entire company.

The relationship between the customers and the banks is a significant one. Both rely on each other and their performance can determine whether the relationship is a healthy one or not. Redhead (2008) states that due to this reliance factor the relationship must be strong and trustworthy. The word 'trust' is bandied around without an actual definition as everybody states that trust is fading and can be quickly damaged. What is actually fading? What is being damaged? The concept of "trust" has gained considerable importance in the field of marketing during the last decades and is seen as a key mediator of customer relationship marketing. But upon a closer look at the literature, the construct "trust" is conceptualized and measured very differently (Kantsberger and Kunz 2010). Arguably the most researched component of successful relationships is the development of trust (Morgan and Hunt 1994). Morgan and Hunt argue that the most important variables to maintain and enhance stable and long terms relationships with customers are commitment and trust. They state that without both these two variables the basis of depending on one another would not exist and therefore the relationship would not develop. Trust is seen as a critical construct in a range of discipline areas (Nicholson et al 2001). Further, within the realm of relationship marketing, trust has been recognised as an important variable for the success of relationships in the supplier literature (Morgan and Hunt 1994), the channel literature (Weitz and Jap 1995), end consumer relationships literature (Berry, 1995), and lateral relationships literature (Webster 1992) while Moorman et al. (1992 p.323) defines trust as “a willingness to rely on an exchange partner in whom one has confidence.” Even though many analysts recognise the fact that trust is important it fails to deliver the actual meaning of trust. There is no one complete definition of trust that everybody agrees upon. To understand the definition of trust, the word ‘trust’ was looked at in different points of view, not just banking.

Firstly to understand the word trust an actual definition must be found. According to the Oxford Dictionary trust can be defined as a firm belief in the reliability, truth, or ability of someone or something. Another definition of trust can be an acceptance of the truth of a statement without evidence or investigation. Third definition used by the oxford dictionary regarding trust is the state of being responsible for someone or something. Analysing all three definitions of trust provided by the oxford dictionary, the one theme that can be established is that the hope, belief and expectation in someone or somebody to do the right thing. This hope, belief and expectation are extremely important for trust to exist. For example customers would have hope, belief and expectation in the banks to perform their duties as a lender. The hope and belief would be that banks would be able to look after the savings of customers and the expectation would be that the banks would perform their duties as a lender.

After analysing the literature, the three main components of trust for this research project, are Hope, Expectation and Belief. All three components are vital for trust to occur and take into account the different components that Moorman et al 1993, Garbarino and Johnson 1999 state. The customer must have the hope, expectation and belief that the banks will perform their duties and have the best interests of the customer at heart. This may not have been the case before the financial crisis occurred as the banks did not perform their duties by clearly telling customers what type of mortgages they were taking out and the potential consequences of that mortgage.

All three components of trust, hope, expectation and belief, possess both hegemonic and posthegemonic traits. From the bank's point of view there is still a hegemonic state regarding them and the public. Even though the customer has hope, expectation and belief in terms of trust and the bank performing with the interest of the customer in mind, they still have the knowledge to do what they want and give the customers what the banks think the customers need to know. But what also can be argued is that after the financial crisis the banks want to repair trust and therefore the public can decide what they want from their point of view i.e. what hope, expectation and belief consist of therefore it is equally a hegemonic trait from the view point of the public towards the banks.

The thesis will examine primary data, such as interviews with customers, public statements by banks, media articles and other publically available sources. Qualitative data analysis will be used in the methodology which will in the end help address the presumptions above. Also the different techniques that Critical Discourse Analysis provides will be used to help unpack and understand what is hidden in all the texts that will be analysed. As Critical Discourse Analysis can be used in all genres it will be very beneficial to the examination of primary and secondary literature at hand.

Secondary data will consist of collecting media articles and breaking them down using Critical Discourse Analysis. Using this method allows the researcher to find any hidden assumptions that are not visible to the naked eye. All the main national newspapers will be used i.e. *Sun, Mirror, Daily Mail, Guardian, Times and Telegraph*, to collect media articles before, during and after the financial crisis. This will allow an even distribution of articles and wide ranging opinions on the matter.

Another area that will be analysed will be advertisements from the banks. This will give a good idea how the banks are going rebuilding trust between themselves and the public.

If advertisements from banks are going to be analysed then a decision must be made which banks are going to be used for this research project. For this research project the 'big four' banks will be analysed and they are Lloyds TSB, RBS, Barclays and HSBC.

References

Berry, L.L. (1995) “Relationship marketing of services – growing interest, emerging perspectives”, Journal of the Academy of Marketing Science, Vol. 23, No. 4, pp. 236-45.

Garbarino, E. and Johnson, M.S. (1999) “The different roles of satisfaction, trust, and commitment in customer relationships”, Journal of Marketing, Vol. 63, No.4, pp. 70-87

Gill, A., Flaschner, A. & Shachar, M. (2006) “Factors that affect the trust of business clients in their banks”, International Journal of Banks Marketing, Vol. 24, No. 6, pp. 384-405

Kantsberger. R, Kunz.H.Werner. (2010) Consumer trust in service companies: a multiple mediating analysis, Managing service Quality, Vol. 20, No. 1, pp. 4-25.

Mayer, R.C., Davis, J.H. and Schoorman, F.D. (1995) “An integration model of organizational trust”, Academy of Management Review, Vol. 20, No. 3, pp. 709-24

Moorman, C., G. Zaltman, and R. Deshpandé. (1992) Relationships between providers and users of market research: The dynamics of trust within and between organizations. Journal of Marketing Research, Vol. 29, No. 3, pp.314-328

Morgan, RM. and Hunt, S.D. (1994) The commitment-trust theory of relationship marketing, Journal of Marketing, Vol. 58, No. 3, pp. 20-52

Nicholson, C.Y., Compeau, L.D. and Sethi, R. (2001) “The role of interpersonal liking in building trust in long-term channel relationships”, Journal of the Academy of Marketing Science, Vol. 29, No. 1, pp. 3-15

Palmatier, P. (2009) Relationship Marketing, Marketing Science Institute, Relevant Knowledge Series [online] available at http://faculty.washington.edu/palmatrw/docs/MSI.RM.Book.pdf, (accessed: 14th March 2013)

Redhead, K. (2008) Personal Finance and Investments: A behavioural finance perspective, Canada: Routledge

Sako, M. (1992) Price, Quality and Trust: Inter-firm Relations in Britain and Japan, Cambridge: Cambridge University Press

Webster, F.E. Jr. (1992) The Changing Role of Marketing in the Corporation, Journal of Marketing, Vol. 56, No. 4, pp. 1-17.

Weitz, B.A. and Jap, S.D. (1995) “Relationship marketing and distribution channels”, Journal of the Academy of Marketing Science, Vol. 23, No. 4, pp. 305-20

An investigation into the facilitators and the barriers of organizational adoption of integrated solutions: the case of battery electric vehicles

Elina Petersone*, Allard C.R. van Riel**, Jörg Henseler***, and Ellen Roemer*

*Hochschule Ruhr West, 45407 Mülheim an der Ruhr, Germany
**Radboud University, 6500 HK Nijmegen, The Netherlands
*** University of Twente, 7500 AE Enschede, The Netherlands

Abstract
The aim of this research is to develop a better understanding of organizational adoption of integrated solutions (IS). In particular, we focus our research on the case of battery electric vehicles (BEVs). We propose in our research a conceptual framework. First, in a qualitative research, we will identify facilitators and barriers affecting the organizational adoption of IS. Second, in a quantitative research, we will investigate potential mediators and moderators affecting the relationship between the facilitators and barriers and the organizational adoption of IS.

Key words: Integrated Solution; Organizational Adoption: Risk; Value; Trust

Theoretical Background and Research Gap

Over the last decade, inter-organizational transactions occur in an increasingly complex environment. Industrial manufacturers are integrating their stand-alone products with additional services to offer an IS to their organizational customers[1] (Jacob & Ulaga, 2008; Vargo & Lusch, 2004). Faced with growing supply market complexity, customers have often difficulties to define or articulate their needs, and sometimes they are even not fully aware of them in the first place (Selviaridis et al., 2011). The organizational adoption[2] process of an IS is more complex than the organizational adoption of a stand-alone product/service, or an innovation[3]. For one reason, the customer has to simultaneously consider multiple complementary elements of the IS and evaluate how these will affect the long-term organizational goals and daily based operational routines (van Riel et al., 2013). Another reason is that the adoption process of IS will involve multiple decision-maker actors[4] as well as an extensive buyer-seller interactions (Prior, 2013).
The adoption process is distinguished between the initiation and implementation phase (e.g., Frambach & Schillewaert, 2002; Gallivan, 2001; Zaltman et al., 1973). The

[1] In the marketing literature an integrated solution is defined as a "unique combination of products and services that address a customer's specific business problems" (Brady et al., 2005, p. 360.).
[2] According to Rogers (1995) adoption refers to the decision of any individual or an organization to make use of an innovation.
[3] Dewar & Dutton (1986, p. 1422.) define an innovation "as an idea, practice, or material artifact perceived to be new by the relevant unit of adoption."
[4] To some extent, it similar to the organizational adoption of innovations (Pae et al., 2002), but only if the buying situation is a "new task buy"(Frambach & Schillewaert, 2002), which is based on one of the three buying situations suggested by Robinson et al. (1967).

initiation phase refers to a variety of activities leading to the adoption decision. Within these activities the decision-maker unit becomes aware of the innovation, forms a favorable or unfavorable attitude toward the innovation and critically evaluates the innovation (Damanpour & Schneider, 2006; Frambach & Schillewaert, 2002; Rogers, 1995). In contrast, the implementation phase refers to the actual user acceptance of the innovation (Frambach & Schillewaert, 2002; Gallivan, 2001)[5]. We focus our research on the first phase of the adoption process.
Mainly scholars investigate the concept of IS regarding the supplier perspective (e.g., Davies, 2004; Davies et al., 2007; Ulaga & Reinartz, 2011) almost neglecting the customer perspective (Nordin & Kowalkowski, 2010). Thus, to benefit the existing literature of IS, our focus is on the customer perspective. Additionally, we aim to address the following two research inquiries: (1) an empirical investigation of IS, considering organizational characteristics is required (Jacob & Ulaga, 2008; Tuli et al., 2007) and (2) generalization of the paradigm of an IS applying quantitative methods is required (Jacob & Ulaga, 2008; Nordin & Kowalkowski, 2010; Sawhney, 2006).

The Case of Battery Electric Vehicles

BEVs are alternative and innovative vehicles powered by electricity (Van Bree et al., 2010). We propose that the BEVs embody the complex nature of an IS and that the adoption process of BEVs is more complex than of conventional vehicles. Essentially, organizations are not just adopting a vehicle, but the whole accompanying system that comes along with the vehicle, such as the infrastructure and the installation of the charging station and additional services, such as IT-supported charging and booking systems and emergency services (e.g. telephone hotlines). Moreover, the organizational adoption of BEVs requires extensive buyer-seller interactions[6], since BEVs are at the development stage, and require additional technical improvements, regular system updates and overall maintenance.

[5] The user acceptance of innovation has been widely investigated topic by scholars, mainly utilizing the technology acceptance model by Davis (1989) or the theory of reasoned action by Fishbein & Ajzen (1975).
[6] By organizational sellers we want to emphasize that in the case of BEVs more than one party on the seller side will be involved. Recent study by Kley et al. (2011) states that to ensure the full realization of electric vehicles, new cooperation between two major industry sectors, such as automotive and energy, as well as other parties is essential.

Conceptual Framework and Methodology
Our central research question, which will be addressed in three interrelated studies (see Figure 1), is:
What are facilitators and barriers of the organizational adoption of an integrated solution?
Our proposed conceptual framework illustrates on the left side facilitators and barriers of BEVs and on the right side the organizational adoption of BEVs, which we conceptualized as our dependent variable: *adoption of an integrated solution* (Figure 1).

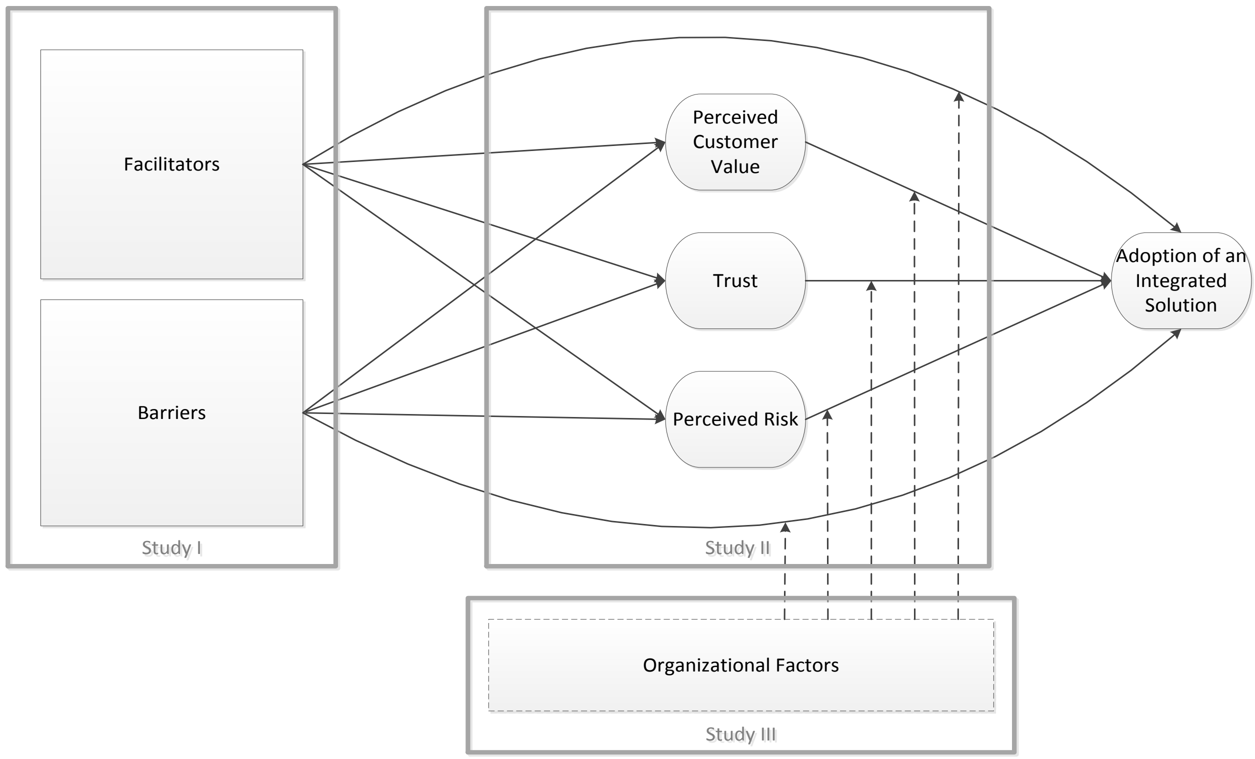


Figure 1: Conceptual Framework

Study I: The purpose of the Study I is to gain deeper understanding of what are facilitators and barriers of the organizational adoption of BEVs. Data for the Study I will be obtained using face-to-face semi structured in-depth interviews based on a sample of diverse industries owning or managing vehicle fleets in Germany. To capture deviant cases of the sample, we will interview those organizations who have and have not adopted BEVs into their daily operations (Eisenhardt & Graebner, 2007). To avoid single informant bias and to increase reliability and validity, we will interview at least two decision-makers from one organization, such as senior managers and/or directors (Kumar et al., 1993)[7]. We will analyze the data using a three-step process suggested by Corbin & Strauss (2008). These include the application of open and axial coding approaches, to scrutinize the interview transcriptions and to identify thematic categories of adoption hindering and facilitating factors, and a selective

[7] We will cease the in-depth interviews when the information reaches its saturation, which will be indicated by information redundancy (Iacobucci & Churchill, 2009)

coding approach. We will assess the overall quality of the results by applying the inter-judge agreement method (Rust & Cooil, 1994).

Study II: The purpose of the Study II is to investigate the effect of mediating mechanisms, such as perceived customer value, trust and perceived risk, between the facilitators and barriers and the organizational adoption of BEVs. Based on the generated categories from the Study I, we will develop a large scale survey[8] to collect the data for the Study II and III. Developed items will be examined on content validity (Netemeyer et al., 2003) and pre-tested (Diamantopoulos et al., 1994). For the generalizability purpose, we will ask at least 150 respondents to participate in the computer-assisted telephone interview (CATI) survey[9], which proves to be effective method to assure high response rates (Hox & De Leeuw, 1994). We will analyze the data with partial least square (PLS) path modeling method. PLS avoids parameter estimation biases, provides the most flexibility regarding measurement of the constructs and is very robust with small sample sizes (Henseler et al., 2009).

Study III: The purpose for the study III is twofold. First, building upon the findings from Study I and II, we will investigate the moderating mechanisms based on the organizational factors, suggested by previous studies (Ceci & Prencipe, 2008; Damanpour & Schneider, 2006; Tuli et al., 2007). Second, we will test the overall fit of the model (Figure 1) in order to generalize the organizational adoption of IS.[10]

Conclusion

With our conceptual framework we intend to get an understanding behind the process preceding the organizational decision to adopt an IS, to depict implications for academics, practitioners and policy-makers.

[8] We will follow the five-step procedure by Iacobucci & Churchill (2009) to develop a reliable and valid measurement scale.
[9] The sample characteristics are the same as in the study I.
[10] Similarly to the Study II, we will analyze the data in Study III with PLS.

References

Brady, T., Davies, A., & Gann, D. M. (2005). Creating value by delivering integrated solutions. *International Journal of Project Management, 23*(5), 360-365.

Ceci, F., & Prencipe, A. (2008). Configuring capabilities for integrated solutions: evidence from the IT sector. *Industry and Innovation, 15*(3), 277-296.

Corbin, J., & Strauss, A. (2008). *Basics of qualitative research: Techniques and procedures for developing grounded theory*: Sage.

Damanpour, F., & Schneider, M. (2006). Phases of the Adoption of Innovation in Organizations: Effects of Environment, Organization and Top Managers1. *British Journal of Management, 17*(3), 215-236.

Davies, A. (2004). Moving base into high-value integrated solutions: a value stream approach. *Industrial and Corporate Change, 13*(5), 727-756.

Davies, A., Brady, T., & Hobday, M. (2007). Organizing for solutions: Systems seller vs. systems integrator. *Industrial Marketing Management, 36*(2), 183-193.

Davis, F. D. (1989). Perceived Usefulness, Perceived Ease of Use, and User Acceptance of Information Technology. *MIS Quarterly, 13*(3), 319-340.

Dewar, R. D., & Dutton, J. E. (1986). The adoption of radical and incremental innovations: an empirical analysis. *Management Science, 32*(11), 1422-1433.

Diamantopoulos, A., Reynolds, N., & Schlegelmilch, B. B. (1994). Pretesting in questionnaire design: The impact of respondent characteristics on error detection. *Journal of the Market Research Society*.

Eisenhardt, K. M., & Graebner, M. E. (2007). Theory building from cases: opportunities and challenges. *Academy of management journal, 50*(1), 25-32.

Fishbein, M., & Ajzen, I. (1975). *Belief, attitude, intention and behavior: An introduction to theory and research*.

Frambach, R. T., & Schillewaert, N. (2002). Organizational innovation adoption: A multi-level framework of determinants and opportunities for future research. *Journal of Business Research, 55*(2), 163-176.

Gallivan, M. J. (2001). Organizational adoption and assimilation of complex technological innovations: development and application of a new framework. *ACM Sigmis Database, 32*(3), 51-85.

Henseler, J., Ringle, C., & Sinkovics, R. (2009). The use of partial least squares path modeling in international marketing. *Advances in International Marketing (AIM), 20*, 277-320.

Hox, J. J., & De Leeuw, E. D. (1994). A comparison of nonresponse in mail, telephone, and face-to-face surveys. *Quality and Quantity, 28*(4), 329-344.

Iacobucci, D., & Churchill, G. (2009). *Marketing research: methodological foundations* (10th ed.). Canada: Cengage Learning.

Jacob, F., & Ulaga, W. (2008). The transition from product to service in business markets: an agenda for academic inquiry. *Industrial Marketing Management, 37*(3), 247-253.

Kley, F., Lerch, C., & Dallinger, D. (2011). New business models for electric cars—A holistic approach. *Energy Policy, 39*(6), 3392-3403.

Kumar, N., Stern, L. W., & Anderson, J. C. (1993). Conducting interorganizational research using key informants. *Academy of management journal, 36*(6), 1633-1651.

Netemeyer, R. G., Bearden, W. O., & Sharma, S. (2003). *Scaling procedures: Issues and applications*: Sage.

Nordin, F., & Kowalkowski, C. (2010). Solutions offerings: a critical review and reconceptualisation. *Journal of Service Management, 21*(4), 441-459.

Pae, J. H., Kim, N., Han, J. K., & Yip, L. (2002). Managing intraorganizational diffusion of innovations: Impact of buying center dynamics and environments. *Industrial Marketing Management, 31*(8), 719-726.

Prior, D. D. (2013). Supplier representative activities and customer perceived value in complex industrial solutions. *Industrial Marketing Management, 42*(8), 1192-1201.

Robinson, P. J., Faris, C. W., & Wind, Y. (1967). *Industrial buying and creative marketing*: Allyn & Bacon Boston.

Rogers, E. M. (1995). *Diffusion of innovations* (4 ed.). New York: The Free Press.

Rust, R. T., & Cooil, B. (1994). Reliability measures for qualitative data: Theory and implications. *Journal of Marketing Research*, 1-14.

Sawhney, M. (2006). *Going beyond the product*. New York: M.E. Sharpe.

Selviaridis, K., Agndal, H., & Axelsson, B. (2011). Business services 'in the making':(De) Stabilisation of service definitions during the sourcing process. *Journal of Purchasing and Supply Management, 17*(2), 73-86.

Tuli, K. R., Kohli, A. K., & Bharadwaj, S. G. (2007). Rethinking customer solutions: from product bundles to relational processes. *Journal of Marketing, 71*, 1-17.

Ulaga, W., & Reinartz, W. (2011). Hybrid offerings: how manufacturing firms combine goods and services successfully. *Journal of Marketing, 75*(6), 5-23.

Van Bree, B., Verbong, G. P., & Kramer, G. J. (2010). A multi-level perspective on the introduction of hydrogen and battery-electric vehicles. *Technological Forecasting and Social Change, 77*(4), 529-540.

van Riel, A. C., Calabretta, G., Driessen, P. H., Hillebrand, B., Humphreys, A., Krafft, M., & Beckers, S. F. (2013). Consumer perceptions of service constellations: implications for service innovation. *Journal of Service Management, 24*(3), 314-329.

Vargo, S. L., & Lusch, R. F. (2004). Evolving to a new dominant logic for marketing. *Journal of Marketing, 68*, 1-17.

Zaltman, G., Duncan, R., & Holbek, J. (1973). *Innovations and Organizations*. New York: Wiley.

From Discrete to Relational Tweeting: On the integration of Twitter into Relationship Banking

Lisa Murray and Mark Durkin

UIster Business School, University of Ulster, Shore Road, Newtownabbey,
Belfast BT37 0QB.

Abstract

This research explores the advent of social media and its deployment in financial services. This paper argues that research within financial services marketing has omitted to pay sufficient attention to social media in banking contexts and its potential impact on retail bank relationships. Accordingly, this paper reports on research examining the deployment of Twitter in bank-customer communications. A content analysis of 400 Tweets from a range of financial institutions in Ireland is executed, with Tweets classified as being either acquisition, engagement or retention-oriented. Findings indicate that Twitter is mainly used for customer engagement, with scope for use in relation to acquisition and retention.

Key words
Banking, relationships, social media, engagement.

INTRODUCTION

While technology continues to make a dramatic and profound impact in service industries and radically shapes how services are delivered (Bitner et al., 2000), little is generally understood about the impact of advancing technology on customers; their expectations, perceptions and behaviours (Dabholkar and Bagozzi, 2002; Walker and Johnson, 2004; Durkin et al., 2013). Consistently throughout history the primary motivation for increasing the role of technology in service organisations has been to reduce costs and eliminate uncertainty (Kelly, 1989) as well as service standardisation.

However, from a marketing perspective pervasive technological change raises the important question of the extent to which different banking customers may actually favour personalised face-to-face service interactions over the more autonomous, and increasingly prevalent, technology-enabled remote service channels (e.g. telephone banking, internet banking and mobile banking).

In recent years an addition to the emerging technological landscape, and the focus of the research reported in this paper, has been the advent of social media and its deployment in financial services (PWC, 2011; KPMG, 2012). An understanding is needed of what the impacts of such new media are on banks and customers. The impacts of emerging technologies for customer service and relationship management need to be better understood by financial services firms so that more appropriate relational engagement strategies can be employed.

This paper argues that extant research in the financial services marketing area has omitted to pay sufficient attention to understanding the role of social media in banking contexts and assessing the potential impacts on retail bank relationships for both banks and customers.

Accordingly, this paper reports on a research study examining the deployment of Twitter in bank-customer communications. The study reports on a content analysis of 400 Tweets from a range of financial institutions in Ireland and classifies these in terms of being either acquisition, engagement or retention-oriented.

The paper begins with a literature review in the area of technology deployment in financial services generally and then examines social media, with a focus on Twitter, in retail banking in particular. The study is then described and findings are discussed. The paper concludes with a discussion section which includes managerial implications.

SELF SERVICE TECHNOLOGIES

The relatively recent academic focus on customer Self-Service Technologies (SSTs) highlights the importance of exploring research issues where technology acts as a service enabler for the customer (Gwinner, Gremler and Bitner, 1998; Bitner et al., 2000; Selnes and Hansen, 2001; Dabholkar and Bagozzi, 2002; Durkin, 2007; Cho and Menor, 2010). Technology continues to make a dramatic impact upon service industries generally and the financial services sector is no exception (Durkin et al., 2013). Indeed, commentators believe, with the possible exception of deregulation, that technological change is likely to have the greatest impact on the banking sector over the next decade (Wipro and Efma, 2013; Mazur, 2011; Farshid et al., 2011). While the infusion of new technologies in the services sector appears ubiquitous (Cho and Menor, 2010; Lee and Allaway, 2002) there remains limited literature describing studies that have been conducted with regard to the propensity and motives of customers to use technological platforms or media when interacting with their banks (Zeithaml and Gilly, 1987; Mouthino and Meidan, 1989; Leblanc, 1990; Durkin, 2007; Howcroft et al., 2007).

Historically, research on technology adoption in banking focused on the Automated Teller Machine technology (ATMs) (Marr and Prendergast 1991, 1993). More recent research specific to the growth of self-service technologies (SSTs) has been conducted by Lee and Allaway (2002) and since their work there has been a shift from examining the role of the internet in e-banking relationships (Yousafrzai and Yani-de-Soriano, 2012) to a closer examination of the role of digital / social media technology in retail bank relationships largely at a practitioner and industry specialist level rather than academia (Wipro and Efma, 2013).

ON SOCIAL MEDIA

Given a lack of consensus on how social media should be understood, Hoffman et al. (2013: 29) define it as *"web-based and mobile tools and applications that allow people to create (consume) content that can be consumed (created) by others and which enables and facilitates connections"*. According to Farshid et al. (2011) social media is assumed to include interactive and collaborative technologies, namely, a 'web of never-ending and constantly shifting clusters on conversations that have collapsed the traditional boundaries of space and time'. Kaplan and Haenlein (2010) classify social media as three different components, namely; concept (art, information); media (physical, electronic or verbal); and social interface (intimate direct, community engagement, social viral, electronic broadcast or syndication, or other physical media such as print). Social media encompass a wide range of online, word-of-mouth forums including blogs, social networking sites, podcasts and webcasts, micro-blogging, company sponsored discussion boards and chat rooms, consumer-to-consumer e-mail, consumer product or service ratings websites and forums, Internet discussion boards and forums, virtual worlds, online games and social bookmarking (Farshid et al., 2011). According to PwC (2011: 3, 9), such new channels can *"open up new opportunities for engaging and interacting with customers"*, build trust and engagement, and *"deepen…existing customer relationships"*.

Much has been written about the potential benefits for businesses from engagement with social media, particularly from a communication and brand management perspective (Barwise and Meehan, 2010; Gaines-Ross, 2010; Wipro and Efma, 2013). However, given the phenomenal growth of social media in enabling constant and convenient interaction between individuals and firms it is clear that it is set to become increasingly more important in the way that managers communicate into the future with the evidence suggesting that such enterprises are actively considering how they might better develop and utilise a social media presence (Durkin et al., 2013; Bulearca and Bulearca, 2010; Harris and Rae, 2009; 2010).

SOCIAL MEDIA USE IN BANKING

KPMG (2012: 8) feels that *"social media probably will revolutionise the banking industry, in particular the customer relationship"*. According to Wipro and Efma (2013), Facebook is the most prominent social media platform being used by banks, reaching over 1 billion monthly active users by the end of 2012. Facebook has in fact grown its monthly active users by 40% in the last 2 years, although growth slowed to just 8% in 2012 in the company's most developed markets, the United States and Canada. The other key trend for Facebook is the growth in users accessing the service through a mobile device. This climbed to 680 million in the last quarter of 2012, and there were 157 million users who only accessed the service through mobile (Wipro and Efma, 2013). After Facebook, YouTube and Twitter, the other most popular social media sites are Pinterest and Instagram. Given consumer use of social media services, it was found that most banks were active on Facebook, Twitter and YouTube. Much less common is the use of user generated content (14% of banks), customer reviews (27% of banks) or blogs (31% of banks) (Wipro and Efma, 2013).

According to Wipro and Efma (2013: 6) *"the rapid growth of digital channels in the last ten years has been one of the strongest and most significant trends … revolutionising how retail financial services companies operate"*. While *"not every bank is ready to introduce social media"* (Fields, 2012; 17), for reasons such as resources and internal culture, *"banks will need to keep one eye on the horizon to ensure that they are staying on top of the latest trends and taking advantage of the greatest opportunities"* (KPMG, 2012: 5).

TWITTER ACTIVITY IN IRELAND

According to recent research Ireland is active on social media across many platforms; 57% of Irish adults use Facebook, 23% use LinkedIn and 27% use Twitter (Ipsos MRBI, 2013).

Digital Times (2013) recently released the following statistics highlighting the strength of Twitter adoption in Ireland:

- *There are 600,000 daily users of Twitter in Ireland.*
- *On average 1 million Tweets are sent each day.*
- *Ireland has the tenth highest number of Twitter users per capita in the world.*
- *53% of 15-24 year olds use Twitter, 46% of 25–34 year olds use the site.*

The financial institutions operating in Ireland are demonstrating strong adoption of social media. Each financial institution in this research is engaging with at least one social media application, with the majority of institutions exercising multiple social media accounts. Similar to the growth potential in the consumer market confirmed by Digital Times (2013) previously, there is also potential for growth in the social media activity of financial institutions, confirmed by the number of institutions in Ireland not currently employing LinkedIn and Facebook. Given its rapid adoption by banks in the US (Bielski, 2009; Wipro and Efma, 2013), this research focuses on Twitter, an *"information network made up of 140-character messages called Tweets"* (Twitter, 2014a).

Much extant research has examined the personal dimensions of relationships, with Alvarez et al. (2011) and Ennew et al. (2011) agreeing that trust is considered one of the most important dimensions of relationships today. Ireland, however, is*" experiencing a trust crisis"* in its financial services market (Edelman, 2010 as cited in Finfacts Ireland, 2010). Ireland's trust levels are the lowest among 22 countries, with trust in banks dropping 16% since 2007, and banking the "*least trusted industry sector in Ireland*" (Finfacts Ireland, 2010). Some authors have linked social media with the potential to build trust. Fields (2012: 16) for example, refers to the building of trust via the transparency of social media when *"institutions enable customers to post and read others' reviews"* and Sashi (2012 : 260) states that "*the interactivity of social media greatly facilitates the process of establishing enduring intimate relationships with trust*".

According to Gummerus et al. (2012: 858), *"there are few empirical studies on customer engagement behaviours…particularly in social media"*. The authors have been unable to find a study similar to the research described in this paper. The most relevant non-financial services study found was Hambrick et al. (2010), a manual content analysis of the Twitter activity of professional athletes. Hambrick et al. (2010) categorised Tweets into six categories - interactivity, diversion, information sharing, content, fanship and promotional. The key similarity between the approach of Hambrick et al. (2010) and this study is that it is the intention of Tweets as opposed to the frequency of a particular word or phrase within a Tweet that is being explored here, differentiating this study from the approach of other content analyses, for example, Adkins et al. (2009), Chew and Eysenback (2010) and Evans (2013). This study is to the best of the authors' knowledge unprecedented in Ireland and its uniqueness should contribute to both academic and industry knowledge.

METHODOLOGY

The aim of this study was to examine to what extent financial institutions in Ireland are utilising social media in a relationship context by examining their Twitter activity in relation to customer acquisition, engagement and retention. The research objectives and measures used to achieve the objectives were as follows:

Objectives	Measures
1. To investigate the level of activity of each institution on Twitter.	1.1 What length of time did it take each institution to Tweet the required sample? 1.2 How many times has each institution tweeted since initiating a Twitter account? 1.3 Do more active institutions have more followers than the less active institutions?
2. To classify financial institutions' Twitter activity according to relational intention; to either acquire, engage or retain customers.	2.1 How many Tweets were deemed relevant to each of the categories?
3. To explore to what extent Tweets related to acquisition, engagement and retention triggered favourable responses from customers.	3.1 Were Tweets which related to acquisition, engagement and retention retweeted[1]? 3.2 Is there any link between the numbers of followers and the focus of the institutions Tweets?

The format of Tweets (140 characters or less) meant the data was easier to analyse than other social media platforms.

[1] A retweet is defined as "*A Tweet by another user, forwarded to you by someone you follow. Often used to spread news or share valuable findings on Twitter*" (Twitter, 2014b).

CONTENT ANALYSIS

According to Krippendorff (2004: 382), *"content analysis is a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the context of their use"*. More specifically related to this research, it can serve to "i*dentify the intentions, focus or communication trends of an individual, group or institutions*" (Berelson, 1952)

Content analysis has many uses. The following are particularly relevant to this research; describing "*trends in communication*", identifying *"intentions and other characteristics of the communicators"* and reflecting "*attitudes, interests, and value…of population groups*" (Berelson, 1952). Another relevant use noted by Holsti (1969), is "*to make inferences as to the antecedents of communication*".

The content analysis adopted in the research is classified as conceptual analysis, where "*a concept is chosen for analysis and the analysis involves quantifying and tallying its presence*" (CSU, 2014). In this case, Twitter activity is the concept under study with customer acquisition, engagement and retention three separate elements of analysis. While both explicit and implicit terms can be reviewed as part of a content analysis, this research focuses on implicit terms due to the broad nature of the concept being explored.

There are a number of advantages of content analysis, for example, it *"makes sense of what is mediated between people…technology supported social interactions…without perturbing or affecting those who handle that textual matter"* (Krippendorff, 2004: xii). It also provides "*insights over time*" (CSU, 2014), and "*allows both quantitative and qualitative analysis*" (CSU, 2014), both of which are employed in this research.

SAMPLE

Tweets from the following institutions operating in Ireland were examined.

Table 1. Participating institutions and data sources (in no particular order)

Institution	Twitter profile (data source)
Bank of Ireland	@talktoBOI
Ulster Bank	@UlsterBank_Help
KBC	@KBCBank
Irish Life	@IrishLife
AIB	@AskAIB
RaboDirect	@RaboDirectIE
Irish League of Credit Unions	@creditunionie
Permanent TSB	@askpermanenttsb

In order to preserve anonymity, the institutions will be randomly referred to as 'Institution 1', 'Institution 2', 'Institution 3'… hereafter.

Fifty Tweets from each institution were analysed, resulting in a total sample of 400 Tweets. The Tweets examined were in reverse chronological order from 24 February 2014. The time period of the study was dependent on the length of time taken by the institutions to Tweet the required sample.

CONTENT CATEGORIES

Each Tweet was placed into one of the following three categories; 'Acquisition', 'Engagement' and 'Retention', based on the development and discussion of relationship life cycles in the literature (Dwyer et al., 1987; Burdett, 1992; Szmigin, 1993) and the importance of assessing relationships over time. Given the stages and cycles present in relationship patterns, and particularly the 'Relationship Development Process' of Dwyer et al. (1987), it was decided that the Tweets being reviewed in this study should be categorised by relationship stage. As the authors were unable to find a universal definition of such stages, a selection of definitions relating to customer acquisition, engagement and retention were chosen (see Appendix I) to determine the parameter of each category. Commonalities between the definitions are summarised in the following table.

Table 2. Commonalities among the definitions of acquisition, engagement and retention

Category	Commonalities
Acquisition	Relationships, gathering customer information, encourage switching, purchasing, interaction, potentially profitable customers
Engagement	Interaction, behaviour beyond transactions, long-term relationships,
Retention	Repurchase behaviour, discouragement of switching, existing

Based on the commonalities of the reviewed definitions, a definition for each category was created integrating social media, the internet and technology for the purpose of this study.

Table 3. Category definitions integrating social media, the internet and technology

Category definition	Definition / description
Acquisition	A mix of face-to-face and online and/or technology based activities aiming to interact with, gather information on and encourage switching from other providers among potentially long term profitable customers, resulting in the creation of an institution-customer relationship.
Engagement	Post acquisition, a mix of face-to-face and online and/or technology based activities aiming to encourage collaborative interaction between institutions
Retention	As part of engagement, an ongoing mix of face-to-face and online and/or technology based activities aiming to encourage repurchase behaviour and discourage switching amongst existing profitable customers who are committed and psychologically attached to the company and its product(s) until if necessary, the termination of the relationship.

If a Tweet was relevant to multiple categories, it was only placed into a single category, the category considered most appropriate.

RELIABILITY

To increase the intercoder reliability and objectivity of this study, reproducibility was tested (Krippendorff, 2004). Fifty Tweets were categorised by an independent rater. The categories were compared to insure consistency, with differences reviewed and agreed upon.

FINDINGS

Objective 1: To investigate the level of activity of each institution on Twitter.

1.1 What length of time did it take each institution to Tweet the required sample Tweets?

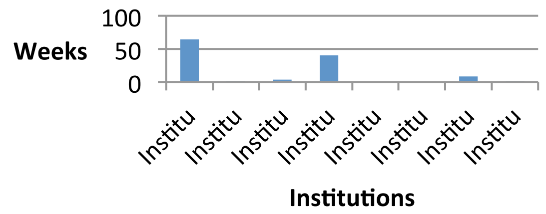
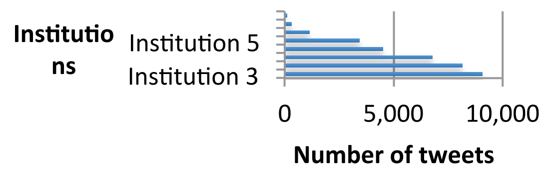


Figure 1. Activity level - time taken to Tweet 50 times

Institution 1 and Institution 4 were the least active institutions taking 64 and 40 weeks respectively to Tweet 50 times, compared to Institutions 5 and 6 who took less than one week. The lack of activity on Institution 1’s behalf was surprising as the institution experienced some service issues at the time of this research.

1.2 How many times has each institution tweeted since initiating a Twitter account?

Figure 2. Total number of Tweets since initiating a Twitter profile (as at 4 March 2014)



Similar to the analysis on the time taken to Tweet 50 times, there were also considerable differences in the number of Tweets created since each institution initiated a Twitter account. Institutions 2 and 3 have Tweeted more often than any of the other institutions, with Institutions 4 and 7 Tweeting the least. While Institution 4 has had a Twitter profile since June 2010, Institution 7 only joined Twitter in November 2013, which explains Instituion 7's lack of activity compared to the other institutions.

1.3 Do more active institutions have more followers than the less active institutions?

In order to assess if there was any link between activity levels and the numbers of followers, the institutions were split into two groups (More Active and Less Active) based on the time taken to Tweet 50 times:

Table 5. Each institutions activity level and number of followers

Category	Institutions	Time taken to Tweet 50 times (weeks)	Number of followers (as at 4 March 2014)
More Active (< 4 weeks)	Institution 5	0.86	1,878
	Institution 6	0.86	15,100
	Institution 2	1.43	21,000
	Institution 8	2	767
Less Active (>= 4 weeks)	Institution 3	4	5,967
	Institution 7	8	262
	Institution 4	40	1,335
	Institution 1	64	4,732

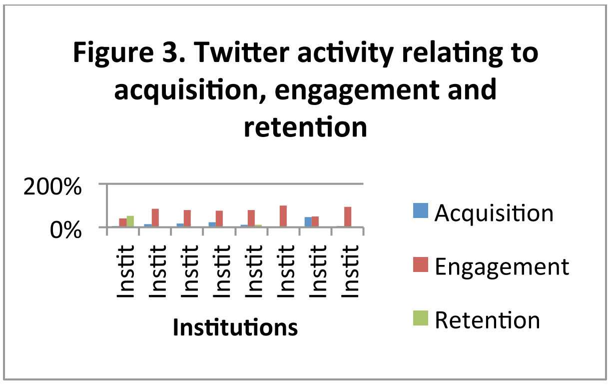
While the level of activity and the number of followers appear to be related for some of the institutions, for example, Institution 6 was the second most active institution with the second highest of number of followers (likewise for Institution 2 in terms of high activity/ high number of followers and Institution 7 with low activity/low number of followers), there does not appear to be an overall connection. Institution 5 was one of the most active institutions but has a low number of followers. Institution 1 was the least active institution but has 2.5 times more followers than Institution 5.

Objective 1 conclusions:

The levels of activity among the institutions varied greatly both in relation to the time taken to Tweet the required sample for this study and also in relation to the level of activity since initiating a Twitter profile. Even between both of these measures, there are considerable differences. For example, Institution 1 was the slowest institution to Tweet 50 times but is the third most active institution in terms of Tweets since creating a Twitter profile. The differences in the number of followers may be explained by variances in the size of the institutions. Some of the institutions with the largest number of followers are the more established institutions in Ireland. In terms of the type of activities undertaken, Institutions 5 and 6 appear to take a different approach to the other institutions. Both institutions liaise directly with customers on a one-to-one basis to resolve issues and answer queries, thus creating a two-way exchange of information, resulting in increased activity levels and interaction with customers.

Objective 2: To classify financial institutions' Twitter activity according to relational intention; to either acquire, engage or retain customers.

2.1 How many Tweets were deemed relevant to each of the categories?



For most of the institutions customer engagement appears to be the focus of their Twitter activity, ranging from 42% of Institution 1's Tweets to 100% of Institution 6's Tweets. The institutions use a variety of different angles to engage with customers, including daily Tweets encouraging contact, Tweets relating to areas outside of financial services and competitions, the following are some examples –

- *"Happy Monday, Twitterville! We're ready for the new week and your tweets. Let us know how we can help!"* – 24 February 2014 (Institution 2);
- *"Just add elbow grease and sand paper. 5 tips for reclaiming wood furniture that's in need of some TLC…"*- 23 February 2014 (Institution 6); and
- *"Just over 1 hour away from closing our competition! A trip to Toronto worth €3,500..."* – 30 September 2013 (Institution 4).

The exception was Institution 1 where retention surpassed engagement by 10%. Many of the Institution 1's Tweets related to their service issues, for example, *"We're very sorry for our system issues last night. We'll make sure that no customer is left out of pocket as a result"* - 3 December 2013.

It is worth noting that only 4% separated Institution 7's acquisition and engagement Tweets. Similar to engagement, the Tweets related to acquisition varied in their target audience. Some institutions focused on product promotion, for example, "*Looking for a #mortgage? Pop into your local branch to chat with a mortgage specialist"* - 18

February 2014 (Institution 1), while others targeted customers of other institutions, *"Some <Institution 2> branches are open on Saturdays until 5th March 2014 to assist Danske customers looking to switch to <Institution 2>"* – 22 February 2014 (Institution 2). Institution 7 attempted to acquire customers via special offers (*"One year FREE <Institution 7> Home Insurance for First Time Buyers if you draw down a residential mortgage before 30th April 2014…"* – 11 February 2014), incentives (*"Pop in TODAY to any of our Hubs for a coffee & a cupcake while you chat through your banking options"* – 1 February 2014) and by allowing customers to switch mortgage providers (*"<Institution 7> to allow mortgage switching for first time in five years"* – 5 February 2014).

Objective 2 conclusions:
As mentioned previously, Institution 1 suffered some service issues during the research period, which more than likely contributed to their retention based Tweets. Also during the research period Institution 7 promoted a new initiative (allowing mortgage customers from other institutions to switch their mortgage to Institution 7), which contributed to their high level of activity regarding acquisition. While the majority of institutions appear to employ Twitter to engage with customers, there may be scope to develop its use in relation to acquisition and retention, as illustrated by the activities of Institutions 1 and 7.

Objective 3: To explore to what extent Tweets related to acquisition, engagement and retention triggered favourable responses from customers.

3.1 Were Tweets which related to acquisition, engagement and retention retweeted?

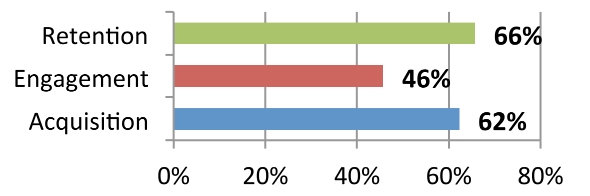


Figure 4. % of Tweets retweeted within each category (all institutions)

All categories received retweets with 66% of retention related Tweets receiving a retweet, closely followed by 62% of acquistion related Tweets.

3.2 Is there any link between the numbers of followers and the focus of the institutions Tweets?

In order to assess if there is any link between the numbers of followers and the focus of the institutions' Tweets, the institutions were split into two groups (High and Low) based on their number of followers:

Table 6. Each institutions number of followers and category most Tweeted

Category	**Institutions**	**Number of followers** (as at 4 March 2014)	**Category most Tweeted by institution**
High (> 4,000 followers)	Institution 2	21,000	Engagement
	Institution 6	15,100	Engagement
	Institution 3	5,967	Engagement
	Institution 1	4,732	Retention
Low (<4,000 followers)	Institution 5	1,878	Engagement
	Institution 4	1,335	Engagement
	Institution 8	767	Engagement
	Institution 7	262	Acquisition

Apart from the link between Institution 7 as the only institution who utilised Twitter mainly to attempt to acquire customers and having the lowest number of followers, the institutions focus on engagement meant that this measure did not supply a valid analysis of the connection between the focus of the institutions activity on Twitter and their number of followers.

Objective 3 conclusions:
The number of retweets received is encouraging and highlights the opportunities open to institutions who want to engage in customer acquisition, engagement and retention on Twitter.

MANAGERIAL IMPLICATIONS

- Based on the number of retweets of Tweets falling into the acquisition and retention categories, there appears to be potential for the institutions to utilise Twitter more in these areas. Institution 7 is the only institution strongly attempting to acquire customers via Twitter. During the research period, 23 of Institution 7's Tweets related to acquisition and received 26 retweets, suggesting that customers are willing to forward such Tweets to their own followers.

- Twitter is being used for many different purposes amongst the institutions. Many of the institutions appeared to utilise Twitter in response to external activities in the Irish financial services market. For example, Danske Bank closed its retail operations in Ireland at the time of this research which some of the institutions appeared to react to with acquisition related Tweets targeting former Danske Bank customers. Other institutions mainly employed Twitter as a means of resolving customer issues and complaints, one of the institutions used Twitter as a means to engage with and apologise to customers for service difficulties, while the remaining institutions adopted Twitter to promote various institution specific initiatives. While Twitter (and social media in general) is relatively new within Irish financial services, it is vital that an institution's Twitter activity has both a strategic and proactive direction.

- There appears to be an opportunity for some of the institutions to utilise Twitter to a greater extent in relation to directly responding to customer queries on a one-to-one basis, which is being employed by some institutions, for example, *"Hi Laura, we noticed your tweet, can you DM me your number & I can get someone to call & discuss with you?"* – 21 February 2014 (Institution 5). Such two-way communication may improve relationships between financial institutions and their customers, as issues can be resolved and queries answered in a transparent and efficient manner, thus aiding the possibility of rebuilding trust within financial services relationships.
- Social media appears to provide opportunities to rebuild relationships within financial services; however, to employ social media for this purpose requires both awareness and the appropriate competencies within institutions. At this relatively early stage of social media adoption amongst Irish financial services institutions, this knowledge may or may not be present. Much work needs to be done profiling customers on Twitter and other social media platforms to understand how to then develop and deliver appropriate new media communications through various relationship stages, and also how to assess the impact of these various strategies at those differing stages of development.
- Social media offers both challenges and opportunities in this sector. One key challenge is how to achieve and maintain consistency of the marketing message across all communications channels. This is particularly relevant to Twitter,

where employees are responsible for the messages that are created and delivered to customers in a very organic and rapid communication context.

- Some of the bigger institutions are more active with more followers than some of the smaller institutions. However Twitter can provide an opportunity for smaller institutions to engage both with their customers in a cost effect manner and also provides an opportunity to engage with consumers in general. Smaller institutions will have to assess the costs of deploying social media against the benefits that can be gained compared to investing more in face-to-face relationship building efforts.

CONCLUSIONS

In relation to the specific focus of this paper (customer acquisition, engagement and retention), engagement appears to be the aim of the majority of the institutions' Twitter activity, with only two institutions using Twitter for customer acquisition and retention to any great extent. Based on the number of retweets that acquisition and retention related Tweets received, there appears to be scope for increased activity in these areas. Another area for potential development is creating two-way exchanges between customers and their financial institutions. Some institutions are currently utilising Twitter for this purpose, but the majority are not. At a time when financial relationships in Ireland are vulnerable, this is an area that warrants investment. From an overall perspective, the institutions in this research are utilising Twitter in many different ways, even within each category (particularly in relation to the engagement methods being employed). While Twitter is still relatively new in Irish financial services, it has the potential to provide a valuable mechanism to support face-to-face and personal services remotely. Thus it is imperative that Twitter (and other social media platforms) are utilised by financial institutions to employ appropriate relational strategies.

LIMITATIONS

The data analysis was carried out manually. Unlike some of the studies referred to earlier (Chew and Eysenback, 2010 etc) who quantified the frequency of a particular word or phrase using computer software, this research carried out both quantitative and qualitative analysis, much of which could not be supported by computer software.

FUTURE RESEARCH

The readily accessible nature of the content produced by social media (Twitter in particular) provides a range of opportunities for further research. One avenue could be to compare the Twitter activity of the institutions with their activity on other social media platforms in order to explore differences in the types of activity aimed at different audiences. Another area to explore is if a credible measurable link exists between an institutions Twitter activity and its acquisition and retention of customers.

APPENDIX I - Generic definitions of acquisition, engagement and retention

Acquisition	Engagement	Retention
"a mix of marketing activities that persuade consumers to switch from purchasing other brands to purchasing the ith brand" (Tsao, 2012: 3)	*"a behavioural manifestation toward the brand or firm that goes beyond transactions"* (Verhoef et al., 2010: 247)	*"an activity directed at preventing customers from switching to another institution*" (Dawes and Swailes, 1999)
"part of the customer-firm relationship that begins with the customer' first interaction with the firm and proceeds through the first purchase until the next purchase" (Thomas, 2001: 262)	*"the intensity of customer participation with both representatives of the organization and with other customers in a collaborative knowledge exchange process"* (Wagner and Majchrzak, 2006: 20)	*"is a mix of marketing activities to persuade consumers to repurchase the ith brand on the next occasion"* (Tsao, 2012: 3)
"focus on gaining information about potential customers, measuring their potential value, and allocating resources to acquire those with greater long-term value" (Arnold et al., 2011 :235)	*"creating deep connections with customers that drive purchases decisions, interaction and participation over time"* *(*Forrester Consulting, 2008: 3)	*"begins with the first repeat purchase and continues until the termination of the relationship"* (Thomas, 2001: 262)
"the initiation of a customer-bank relationship" (Hui and Kok Wei, 2012 :156)	*"developing more meaningful digital interaction with customers, as an alternative to the traditional face-to-face interactions of banking"*(Wipro and Efma, 2013: 4)	*"focus on obtaining information about, differentiating among, and allocating resources to manage relationships with existing customers on the basis of their long-term value"* (Arnold et al., 2011 :235)
"where an organisation recognises unidentified individuals as customers who might be selected to gather their information through diverse communication channels" (Park and Kim, 2003: 667)	*"to create meaningful consumer impact and generate either a behavioural result (such as driving a sale or inquiry) or an attitudinal result (such as making an emotional impression or changing attitudes)"* (Fuse, 2013)	*"Deeply held commitment to rebuy or repatronise a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brandset purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour."* (Oliver, 1997: 392)
"companies try to convert Web site visitors and browsers into (hopefully repeat) buyers" (Ganapathy et al. (2004): 94)	*"the degree to which a company succeeds in creating an intimate long-term relationship with the customer*" (EIU, 2007a: 2)	*"focusing on existing customers in order to ensure that they continue purchasing and continue supporting the product"* (Berndt et al., 2005: 82)
"the need of organisations to find new customers for their products" (Berndt et al., 2005: 82)	*"the creation of experiences that allow companies to build deeper, more meaningful and sustainable interactions between the company and its customers or external stakeholders" (*EIU, 2007b: 2)	*"a combination of intentional repurchase behaviour and psychological attachment of a customer to a particular service provider"*(Al-Hawari, 2006: 231)

References

Adkins, G. L., Thornton, T. J. and Blake, K (2009) A content analysis investigating relationships between communication and business continuity planning. *Journal of Business Communication,* 46 (3), 362-403.
Al-Hawari, M. (2006) The effect of automated service quality on bank financial performance and the mediating role of customer retention. *Journal of Financial Services Marketing,* February 2006, 10 (3), 228-243.
Alvarez, L.S., Casielles, R.V. and Martin, A.M. (2011) Analysis of the role of complaint management in the context of relationship marketing. *Journal of Marketing Management,* 27 (1-2), 143-164.

Arnold, T. J., Fang, E. and Palmatier, R. W. (2011) The effects of customer acquisition and retention orientations on a firm's radical and incremental innovation performance. *Journal of the Academy of Marketing Science*, 39, 234-251.

Barwise, P. and Meehan, S. (2010) The One Thing You Must Get Right When Building a Brand. *Harvard Business Review*, December, 80-84.
Berelson, B. (1952) *Content analysis in communications research.* New York: Free Press.
Berndt, A., Herbst, F. and Roux, L. (2005) Implementing a customer relationship management programme in an emerging market. *Journal of Global Business and Technology,* 1 (2), 81-89. Available from: http://gbata.org/wp-content/uploads/2013/02/JGBAT_Vol1-2-p7.pdf [Accessed 9 March 2014].

Bielski, L. (2009) Intrepid Banks Tweet. *ABA Banking Journal,* February, 6-9.

Bitner, M.J., Brown, S.W. and Meuter, M.L. (2000) Technology Infusion in Service Encounters. *Journal of the Academy of Marketing Science*, 28(1), 138-149.
Bulearca, M. and Bulearca, S. (2010) Twitter: a viable tool for SMEs? *Global Business and Management Research: An International Journal*, 2 (4),196-309.
Burdett, J. (1992) A model for customer-supplier alliances. *Logistics Information Management*, 5 (1), 25.
Chew, C. and Eysenbach, G. (2010) Pandemics in the Age of Twitter: Content Analysis of Tweets during the 2009 H1N1 Outbreak. *PLOS ONE,* 5 (1). Available from:
http://www.plosone.org/article/info%3Adoi%2F10.1371%2Fjournal.pone.0014118 [Accessed 10 March 2014].
Cho, Y. K. and Menor, L. (2010) Toward a provider-based view on the design and delivery of quality E-Service Encounters, *Journal of Service Research*, 13(1), 83-95.
Colorado State University (CSU) (2014) *Content Analysis.* US: Colorado State University. Available from: http://writing.colostate.edu/guides/guide.cfm?guideid=61 [Accessed: 5 January 2014].
Dabholkar, P.A. and Bagozzi, R.P. (2002) An attitudinal model of technology-based self-service: Moderating effects of consumer traits and situational factors. *Journal of the Academy of Marketing Science*, 30(3), 184 – 201.
Dawes, J. and Swailes, S. (1999) Retention sans frontieres: issues for financial service retailers. *The International Journal of Bank Marketing*, 17 (1), 36-43.

Digital Times (2013) *Interesting Twitter stats for Ireland.* Ireland: Digital Times. Available from: http://www.digitaltimes.ie/digitalmedia/Twitter-stats-for-ireland/ [Accessed 11 March 2014].
Durkin, M. (2007) On the role of bank staff in customer purchasing online. *Marketing, Intelligence and Planning*, *25* (1), 82-97.
Durkin, M., McGowan, P. and McKeown, N. (2013) Exploring social media adoption in small firms, *Journal of Small Business and Enterprise Development*, forthcoming.
Dwyer, F. R., Schurr, P. H. and Oh, S. (1987) Developing Buyer-Seller Relationships. *Journal of Marketing,* 51(2), 11-27.
Economic Intelligence Unit (EIU) (2007a) *Beyond loyalty Meeting the challenge of customer*
Engagement part II. Available from: www.adobe.com/engagement/pdfs/partII.pdf [Accessed 5 March 2014].
Economic Intelligence Unit (EIU) (2007b) *Beyond loyalty Meeting the challenge of customer*
Engagement part I. Available from: www.adobe.com/engagement/pdfs/partI.pdf [Accessed 5 March 2014].
Ennew, C., Kharouf, H. and Sekhon, H. (2011) Trust in UK financial services: A longitudinal analysis. *Journal of Financial Services Marketing,* 16 (1), 65-75.

Evans, M. P. (2013) Men in counselling: A content analysis of the Journal of Counselling and Development and Counsellor Education and Supervision 1981-2011. *Journal of Counselling and Development*, 91, 467-474.

Farshid, M., Plangger, K. and Nel, D. (2011) The social media faces of major global financial services brands. Journal of Financial Services Marketing, 16 (3/4), 220-229.

Fields, N. (2012) Starting of Social Media. *ABA Bank Marketing,* 44(1), 14-19.

Finfacts Ireland (2010) *Trust in government and business in Ireland is the lowest in Europe according to pan-European survey.* Ireland: Finfacts Ireland. Available from: http://www.finfacts.ie/irishfinancenews/article_1018896.shtml [Accessed 2 April 2012].

Forrester Consulting (2008) *How engaged are your customers?* UK: Cambridge. Available from: www.adobe.com/engagement/pdfs/Forrester_TLP_How_Engaged_Are_Your_Customers.pdf [Accessed 5 March 2014].

Fuse (2013) *Teen and young adult marketing terms and definitions.* Available from: http://www.fusemarketing.com/Definition_Consumer_Engagement [Accessed 8 March 2014].
Gaines-Ross, L. (2010) Reputation Warfare. *Harvard Business Review*, December, 70-76.
Ganapathy, S., Ranganathan, C. and Sankaranarayanan, B. (2004) Visualisation strategies and tools for enhancing customer relationship management. *Communications of the ACM*, 47 (11), 93-99.

Gummerus, J., Liljander, V., Weman, E. and Pihlstrom, M. (2012) Customer engagement in a Facebook brand community. *Management Research Review*, 35 (9), 857-877.
Gwinner, K.P., Gremler, D.D. and Bitner, M.J. (1998) Relational Benefits in Service Industries: The Customer's Perspective. *Journal of the Academy of Marketing Science*, 26(2), 101-114.
Hambrick, M. E., Simmons, J. M., Greenhaigh, G. P. and Greenwell, T. C. (2010) Understanding Professional Athlete's use of Twitter: A content analysis of Athlete Tweets. *International Journal of Sport Communication*, 3 (4). Available from: http://stephzajac.files.wordpress.com/2011/07/understandingprofesional-athletes.pdf [Accessed 21 March 2014].
Harris, L. and Rae, A. (2009) Social Networks: the future of marketing for small business. *Journal of Business Strategy*, 30 (5), 24-31.
Harris, L. and Rae, A. (2010) The Online connection: transforming marketing strategy for small businesses. *Journal of Business Strategy*, 31 (2), 4-12.
Hoffman, D., Novak, T. and Stein, R. (2013) The Digital Consumer, in *The Routledge Companion to Digital Consumption*, Belk, R. And Llamas, R. (eds), Routledge.
Holsti, O. R. (1969) *Content analysis for the social sciences and humanities*. Reading, MA: Addison-Wesley.
Howcroft, B., Durkin, M.G., Armstrong, G. and Emerson, E. (2007) Small Business – Bank Relationships and the Role of Internet Banking. *The Service Industries Journal*, 27 (7), 947-961.
Hui, Y. and Kok Wei, K. (2012) Customer relationship management: is it still relevant to commercial banks in Taiwan? *International Journal of Business and Management,* 7(1), 151-160.
Ipsos MRBI (2013) *Social Networking Quarterly November 2013 (Q4).* Ireland: Ipsos MRBI. Available from: http://www.ipsosmrbi.com/social_networking_q4_2013.html [Accessed 22 January 2014].
Kaplan, A. M. and Haenlein, M. (2010) Users of the world unite! The challenges and opportunites of social media. *Business Horizons*, 58 (1), 59-68.
Kelly, S.W. (1989) Efficiency in service delivery: technological or humanistic approaches. *Journal of Services Marketing,* 3(3), 43–50.

KPMG. (2012) *The Social Banker. Social media lessons from banking insider.* KPMG. Available from: http://www.kpmg.com/global/en/issuesandinsights/articlespublications/social-banker/pages/social-banker-report.aspx Accessed [20 March 2014]
Krippendorff, K. (2004) *Content Analysis An Introduction to its Methodology.* 2nd ed. US: Sage.
Leblanc, G. (1990) Customer motivations: use and non-use of automated banking. *International Journal of Bank Marketing*, 8(4), 36-40.
Lee, J. and Allaway, A. (2002) Effects of personal control on adoption of self-service technology innovations. *Journal of Services Marketing*, 16(6), 553-572.
Marr, N.E. and Prendergast, G.P. (1991) Strategies for retailing technologies at maturity: a retail baking case study. *Journal of International Consumer Marketing*, 3(3), 99-125.
Marr, N.E. and Prendergast, G. P. (1993) Consumer adoption of self-service technologies in retail banking. *International Journal of Bank Marketing*, 11(1), 3 – 10.
Mazur, M. (2011) Banks take to social media. *ABA Banking Journal*, January, 46.

Moutinho, L. and Meidan, A. (1989) Bank customers' perceptions, innovations and new technology. *International Journal of Bank Marketing,* 7(2).

Oliver, R. (1997) *Satisfaction: A Behavioral Perspective on the Consumer.* New York: McGraw-Hill.

Park, C. H. and Kim, Y. G. (2003) A framework of dynamic CRM: linking marketing with information strategy. *Business Process Management Journal*, 9 (5), 652-671.

PwC (2011) *The new digital tipping point.* Available from: https://www.pwc.com/en_GX/gx/banking-capital-markets/publications/assets/pdf/pwc-new-digital-tipping-point.pdf. [Accessed 19 March 2014].

Sashi, C. M. (2012) Customer engagement, buyer-seller relationships, and social media. *Management Decision*, 50 (2), 253-272.

Selnes, F. and Hansen, H. (2001) The potential hazard of self-service in developing customer loyalty. *Journal of Service Research*, 4(2), 79-90.

Szmigin, I. T. D. (1993) Managing quality in business-to-business services. *European Journal of Marketing,* 27 (1), 5 - 21.

Thomas, J. S. (2001) A methodology for linking customer acquisition to customer retention. *Journal of Marketing Research,* 38 (2), 262- 268.

Tsao, H. Y. (2012) Budget allocation for customer acquisition and retention while balancing market share growth and customer equity. *Marketing Letters,* 24 (1), 1-11.

Twitter (2014a) *Getting started with Twitter.* US: Twitter. Available from: http://support.twitter.com/groups/50-welcome-to-twitter/topics/204-the-basics/articles/215585-getting-started-with-twitter# [Acccessed 2 April 2014].

Twitter (2014b) *The Twitter Glossary.* US: Twitter. Available from: http://support.twitter.com/groups/50-welcome-to-twitter/topics/204-the-basics/articles/166337-the-twitter-glossary# [Acccessed 2 April 2014].

Verhoef, P. C., Reinartz, W. J. and Krafft, M. (2010) Customer Engagement as a new perspective in Customer Management. *Journal of Service Research*, 13 (3),247-252.

Wagner, C. and Majchrzak, A. (2006) Enabling Customer-Centricity Using Wikis and the Wiki Way. *Journal of Management Information Systems*, 23 (3), 17-43.

Walker, R.H. and Johnston, L.W. (2004) Managing technology-enabled service innovations. *International Journal of Entrepreneurship and Innovation Management*, 4(6), 561-574.

Wipro and Efma (2013) *The Global Retail banking digital marketing report 2013.* Wipro and Efma. Available from: http://www.wipro.com/documents/the-global-retail-banking-digital-marketing-report-2013.pdf [Accessed 6 November 2013].

Yousafzai, S. and Yani-de-Soriano, M. (2012) Understanding customer-specific factors underpinning internet banking adoption. *The International Journal of Bank Marketing,* 30, (1), 60-81.

Zeithaml, V.A. and Gilly, M.C. (1987) Characteristics affecting the acceptance of retailing technologies: a comparison of elderly and non-elderly consumers. *Journal of Retail Banking,* 63(1), 49–68.

How outraged customers react: the consequences of customer rage in service failure and intervention strategies

Wenjiao (Ruby), Zhang

Newcastle University Business School, 5 Barrack Road, Newcastle upon Tyne, NE1 4SE, United Kingdom

Key words: customer rage; dual process; intervention strategy

Customer rage incidents have been more frequently reported as they are becoming prevalent in recent business interactions. Outraged customers experience the unfair treatment that happens commonly across the world in various industries. The most obvious difference between the dissatisfaction and rage when facing unfair treatment is that dissatisfied customers are willing to remain passive while the outraged customers are tend to revenge to some extent (Oliver 1996, Roseman, et al, 1994). Thus, customer rage is defined by extant researches as an extreme anger coupled by the furious emotions that may result in numerous negative impacts in a verbal, physical or other potential antisocial behaviours (Surachartkumtonkun, et al, 2012). Customer rage may occur when the restaurant keeps them waiting excessively long, the flight cannot provide the service punctually or the frontline employee doesn’t answer the phone properly. It has been widely agreed that the aversive experience in those context is the trigger of customer rage (Brebels, et al, 2008). Typically, these behaviours are harmful and can possibly induce severe consequences for 1) the company 2) the employees and 3) even may negatively influence other customers. Currently there are two main streams of literatures studying customer rage. First, some of the prior researchers have looked at the causes leading up to the customer rage. Patterson, et al (2009) indicated that customer rage follows the dissatisfying service or service failure. On the other hand, Grove, et al. (2012) argued that customer rage may also occur in the non-failure service context which is an emotionally 'undesirable by-product' of the organization's effort to 'engage the customers'. Second, other researchers are mostly discussing the ripple impacts of those customer rage behaviours. Consequences of customer rage can be generated like financial loss for the company, severe psychological hurt for front-line service employees, and social cost for both firms and customers. This literature will mainly focus on the perspective of consequences because it is the point managers should have more attention to and propose countermeasures for.

Despite the rich studies on customer rage's antecedences and impacts, shortcomings of previous studies come in three aspects:

First, the researches haven't presented a clear measurement of customer rage behaviours. Although the definition of customer rage differentiates it from other terms in this area, there exist many overlaps in terms of measurements in the research of customer rage, customer retaliation, customer revenge and customer misbehaviour, etc. The most frequently adopted qualitative methods in previous studies cannot provide concrete measurement for customer rage.

Second, previous research seldom considered the role of anger, frustration and regret together with the customer rage as the subsequence of service failure. There is rich amount of literatures discussing the impacts of anger on the negative customer behaviours as the results of service failure. Comparing those behaviours with those in the field of customer rage, there are a lot of identical items. Considering the big difference between anger and rage, the researcher believes the role of the two emotions should vary. Thus, this thesis will test the mediator role of anger, frustration and regret on inducing customer rage behaviours.

Third, there are few prevention and intervention strategies raised in previous studies. This can be a result from the lack of concrete measurement of customer rage behaviours. Additionally, neglects of background factors in which the customer rage happens also account for this shortcoming.

Along with the literatures of customer behaviour, the research also refers to some literatures in psychology in order to emphasize those three research questions and raise the hypotheses. There are two different stances that support two opposing reasoning mechanisms in which rage induces aggression. Fontaine (2007) hold the position that rage is characterized with impulsive thinking and lack of planning before action. The result of this kind of rage is the uncontrolled hostility and immediate punitiveness towards the sources. On the other hand, DiGiuseppe and Tafrate (2003) supported the argument that rage behaviour can have the features as forethought and well planned, some of which can even be designed over long periods. This standpoint presents a controlled reasoning process and delayed punishments towards the subjects of one's rage. Nevertheless, the theory of dual process model also argues that there exist two distinctive underlying systems serving functionally separate roles (Stanovich and West, 2000). This theory is built based on the two rival modes of human's thought, i.e. intuition and analytical thinking (Hammond, 1996). Building on this theory, the human's reaction to the same subjects can be either conscious or unconscious (Freud, 1900, 1953) and the reaction can be either controlled or uncontrolled, depending on the different reasoning process. These two theories provide a convincing basis for the proposed dyadic typology of customer rage and the corresponding intervention strategies.

In terms of methodology, a combination of qualitative and quantitative research will be employed when collecting and analysing data. The first stage will be interviews to explore the hypothesis of measurement for customer rage and its intervention strategy, as well as establish new ones. The sample will include both frontline employees and customers with 10 persons for each. The second stage is featured with 5 experiments. Experiments are designed to test the efficiency of intervention strategies. New measures for the variables explored from interviews could also be established in this stage. The final stage will be the questionnaire data collection designed based on the information from prior two researches.

Consequently, with the expected research outcomes, this paper will contribute to the research of customer rage as follows:

First, the thesis is going to test and develop a justice-based measurement of customer rage. By employing interview and experiments, this research tends to build the set of variables of customer rage and test the validity in quantitative research. Additionally, indicated by real life cases and psychology theories, this thesis proposes the dyadic typology of customer rage behaviour with the two dimensions, i.e. immediate vs delayed and controlled and uncontrolled.

Second, the thesis will justify the mediator role of anger, frustration and regret to influence the effect of service failure on the customer rage behaviours. Thus, the research will try to rebuild the conceptual model of customer rage by adding the mediators as anger, frustration and regret.

Third, this research will propose a dyadic typology for the intervention strategy as well. Regarding to different individual and situational factors, the two dimensions are proposed as direct vs indirect and before the emotion triggers vs. after the emotion triggers.

Reference:

Brebels, L., De Cremer, D., and Sedikides, C. (2008). Retaliation as a response to procedural unfairness: A self-regulatory approach. Journal of Personality and Social Psychology, 95(6), 1511.
DiGiuseppe, R., and Tafrate, R. C. (2003). Anger Treatment for Adults: A Meta-Analytic Review. Clinical Psychology: Science and Practice, 10(1), 70-84.
Freud, S. (1953). The interpretation of dreams. In J. Strachey (Ed. and Trans.), The standard edition of the complete psychological works of Sigmund Freud (Vols. 4 and 5). London: Hogarth. (Original work published 1900)
Fullerton, R. A., and Punj, G. (2004). Repercussions of promoting an ideology of consumption: consumer misbehavior. Journal of Business Research, 57(11), 1239-1249.
Grégoire, Y., Laufer, D., and Tripp, T. M. (2010). A comprehensive model of customer direct and indirect revenge: understanding the effects of perceived greed and customer power. Journal of the Academy of Marketing Science, 38(6), 738-758.
Grégoire, Y., and Fisher, R. J. (2008). Customer betrayal and retaliation: when your best customers become your worst enemies. Journal of the Academy of Marketing Science, 36(2), 247-261.
Grove, S. J., Pickett, G. M., Jones, S. A., and Dorsch, M. J. (2012). Spectator Rage as the Dark Side of Engaging Sport Fans Implications for Services Marketers. Journal of Service Research, 15(1), 3-20.
Hammond, K. R. (1996). Human judgment and social policy. New York: Oxford University Press. Harris, L. C., and Reynolds, K. L. (2003). The consequences of dysfunctional customer behaviour. Journal of service research, 6(2), 144-161.
Hammond, K. R., and Summers, D. A. (1972). Cognitive control. Psychological Review, 79, 58-67.
Patterson, P. G., McColl-Kennedy, J. R., Smith, A. K., and Lu, Z. (2009). Customer rage: triggers, tipping points, and take-outs. California Management Review, 52(1), 6-28.
Stanovich, K. E., and West, R. F. (2000). Individual differences in reasoning: Implications for the rationality debate? Behavioral and Brain Sciences, 23, 645-665.
Surachartkumtonkun, J., Patterson, P. G., and McColl-Kennedy, J. R. (2012). Customer Rage Back-Story: Linking Needs-Based Cognitive Appraisal to Service Failure Type. Journal of Retailing.

Does C.R.M. enable effective responses to changes inside of the supply chain ?

A case study within health services

Gianluca Bonometti

Università degli studi di Bergamo, Dipartimento di Scienze aziendali, economiche e metodi quantitative - via dei Caniana 2 - 24127 Bergamo, Italy

Abstract
This article aims to analyze the impact of technology on relationships inside of the supply chain. In order to do this, the author adopts the Relationship Marketing theory by David Ballantyne. Consequently, He studies Customer Relationship Management (C.R.M.) from different point of views: Supplier, Sales Agent and Customer. A study is conducted to verify if C.R.M. can help to make predictions about performance when shifting from Distributors to direct sales. The thesis is confirmed. Finally a stochastic method is used within a different setting such as health service, with a different metrics such as Share of the Wallet.

Keywords
Customer Relationship Management · Prediction · Supply chain · Share of the Wallet

Introduction
The purpose of the article is to estimate the impact of technology on the relationship among the Supplier and the End Customer in term of external value. The interest for this matter comes up from the economical context in the Italian Dental market where we face with a decrease in margins leading companies to shift from a B2B to a B2C sales organization. So, even if the approach is truly pragmatic, the author wants to achieve general considerations for non contractual markets. When a company is shifting from a B2B to a B2C context some problems, which did not exist before, arise for the Supplier. From the point of view of Sales Agents there are two kinds of problems: the huge amount of new Customers together with a deep decrease in information about these same Customers. From the point of view of the Administration, instead, there are two others kinds of problems such as the huge amount of new Customers which needs for a Sales Coordinator and, more basically, the huge increase of invoices. This leads to the necessity for a Customer relationship management system in order to solve many problems at a time. More in detail, the research problem is measuring the efficacy of a particular kind of C.R.M. in terms of performance for direct sales companies leaving the indirect sales model. The starting point is the necessity for more accountability in the Sales functions of Commercial Companies. Then it is very important to clarify how it is possible to make C.R.M. effective; in so doing the choice of the right metrics is fundamental. At last but not least, it is important to define the subject of the research i.e. C.R.M., giving that there are different definitions or kinds of tracking systems for Customer Relationships. About accountability it is possible to affirm that big data could transform the way

Suppliers interact with Distributors and Customers in doing business. According to some researches (McAfee, 2014) Companies that inject big data and analytics into their operations show profitability rates that are 5% to 6% higher than those of their peers. So on, a data driven strategy of Marketing could become a strong point of differentiation. In fact, we point out that a differentiation strategy is the one combining wide target together with high prices in order to conquer as much Customers as possible thanks to a unique offer in terms of products as well as services (Porter, 2008). For instance, think about the opportunity for a Salesman to know fixed costs per chair inside of a big dental clinic in order to promote a more expensive product such as an innovative bur. Usually in Italy hourly costs per chair is about 30 € and average price for a single use bur to be used in prothesis is 4,5 €. Now total costs per procedure should be 35 € compared to 34,5 € in case of standard burs. There is no change for revenues which are still nearly 300 €. In so doing, the value for Customer would decrease in case of innovative bur. Therefore, by considering the advantage of using innovative burs which reduces 20% more and lead Customers to save time at the same percentage, we conclude that Customer value in use shifts from 295,5 €, in case of standard burs, to 301 €, in case of innovative burs. In fact Δ Customer's value in use = (ΔEEC – ΔIEC), where ΔEEC stands for change in effectiveness for the Customer and ΔIEC stands for change in internal efficiency for the Customer). When using innovative burs, ΔEEC = (300 € - 0) = 300 € and ΔIEC = (-6 € + 5 €) = -1 € so that C.V.U. = [(300 € - (-1 €)] = 301 €. When using standard burs, ΔEEC = (300 € - 0) = 300 € and ΔIEC = (0 € + 4,5 €) = 4,5 € so that C.V.U. = [(300 € - (4,5 €)] = 295,5 €. The value for the Customer is increased by 18% versus an increase of costs by 10%, thanks to the consideration of the value in use (Grönroos, 2012). This allows us to sell this bur at a higher price, meaning that our profit is unexpectedly going to increase. Of course it is possible to sell more in terms of values just in case of tracking all informations thanks to C.R.M. Besides, information technology can increase the competitive advantage by enhancing differentiation, or lowering costs, or changing competitive scope, or spawning a new business (Porter, 1985). Given that big data play a fundamental role at Marketing, it is important to say that this is necessary but not sufficient. Moreover there is something missed such as choosing the right data. C.R.M. can include many information but bigger and better data give both more-panoramic both more-granular views of the business (Barton, 2012). But at a certain point companies should source data creatively in order to make information useful to solve problems. In conclusion, there should be a three-step strategy consisting of collecting data, focusing on the biggest drivers of performance (metrics) and transforming the Sales organization by creating easy to use tools. In this paper we focused on a particular kind of metrics such as Share of the Wallet because it is answering to each of these three steps. In fact, it implies to collect Sales for all the Customers involved for a Salesman as well as to estimate the willingness of the Customer to pay for such a category of products. We could say that this is a complete metric because it implies internal as well as external data. The author has tried to source information creatively because the willingness to pay is estimated by putting together the amount of expenses for the products of the company that we analysed as well as for the products of the competitors. Nowadays there are several Customer metrics because the marketer's Customer development activities emphasize four areas at least: Needs, Segmentation, Targeting and Positioning (Davis, 2013). From our point of view Share of the Wallet (S.O.W.) can answer to all questions that a marketer makes to evaluate and defend why he believes the market he wishes to enter is attractive. Such as 1) Is the market opportunity large enough to justify the financial and resource commitments marketers are recommending? 2) Is the market growing at an attractive rate? 3) Can the company build leading and/or defensible share of the market?   Share of the wallet belongs to the section Positioning of all Customer metrics. This is very interesting because the author wants to measure the efficacy of C.R.M. by calculating S.O.W. but, at the same time, S.O.W. gives you wider indications with regard to performance such as the way the marketer influence Customers' perception of the product. In fact, Marketers take a combination of direct Customer experience with the product, word of mouth, security of use ando so on. So far maybe that a high S.O.W. is made up essentially of higher prices more than higher volumes. The godness of the take-over with S.O.W. is directly proportional to the fairness of C.R.M. definition. The simpliest definition for C.R.M. is the translation of relationships among the Supplier and the Customer in terms of exchange of information into strategies as well as practical applications (Gummesson, 2002). C.R.M. is heavely based on the values of Relationship Marketing. These values are: Marketing orientation (every company should have Full-time Marketers and Part-time Marketers so that all employees can influence relationships), long term collaboration (Retention Marketing is more important than Attractive Marketing), engagement of all the actors of a relationship (from Supplier to Customer and viceversa), value for the Customer (the Customer is the heart of the relationship which should be flexible in order to reach the Customer's needs with an orientation to the service). The subject of this paper is Customer Relationship Management because it is a new approach to relationships from different point of views: collaborative, strategical, operative and, of course, technological (Buttle, 2009). Even better the author shares with Francis Buttle his model of C.R.M.. This model arises from Porter's model of the Value Chain. In particular, the mentioned model consists of five steps plus four conditions of support aimed at creating value propositions finalized to maintain and acquire only profitable Customers. The main steps are: the analysis of the Customer wallet, the knowledge of the Customers, the development of the Network, the development of the value proposition and finally the management of the Customer lifetime. Instead, the conditions of support needed to let the strategy of C.R.M. work effectively as well as efficiently are: Leadership and Company's culture, Data and Information Technology, Personnel and Processes (Buttle, 2004). This paper analyses the impact of a C.R.M. tool which allows to: track orders in terms of total amount as well as product mix (step 1), track main specialties of all dental studios such as prosthesis, surgery … (step 2), track which primary Customer let the Sales Agent be connected to the new Customer (step 3), track the result of each appointment of work in terms of sales argument in order to identify the winning value proposition (step 4), track the number of visits as well as the number of orders to estimate Customer Lifetime Value (step 5). Since 2005 it is well known that C.R.M. is an instrument of the integration for Marketing - in terms of value for the Customer as well as for the relationship - , Customers Data, Technology and Models of organization (Boulding, 2005). It is also possible to argue that C.R.M. is a very wide strategy in Marketing (Payne 2005). The strategic framework for C.R.M. (Payne 2005) finds out that C.R.M. can help to predict performance. The potential pitfall for the strategic framework is that this framework never say anyhing about the interaction with the context. The author shares the Relationship Marketing framework from David Ballantyne in order to take into account also the context. In particular, the author decides to analyse the case study of a company engaged in shifting from a B2B sales model to a B2C one. Implications for the Supplier (Sales managers and Admistration managers) as well as for Sales Representatives and the Customer are considered in this research. Now, it is necessary to measure the impact of C.R.M. on relationships it by choosing a Customer metric. In

2005, the literature has demonstrated that it is possible to increase the performance with C.R.M. by maximizing the value for the Customer thanks to the Customer Lifetime Value (Ryals, 2005). In this case, the author decides to use the Customer metric of the Share of the wallet in order to predict better or worst performances in case of C.R.M.. The more Share of the wallet is close to 100% the more C.R.M. will predict better performances. Of course this is a necessary condition in order to measure good performance in terms of profitability but it is not sufficient to decide how to allocate resources. Some authors suggest that, in order to know if it is worth to increase investments in terms of time or money on these Customers with high S.O.W., it would be necessary to pay attention also at the level of Customer Lifetime Value (C.L.T.V.). In case of high S.O.W. but low C.L.T.V. it would be not convenient to invest more (Kumar, 2009). Finally, the stochastic method for discrete and non contractual context is adopted in order to extend results from the sample (Fader 2009) to the population. With high levels of S.O.W., statistically signifiant sample, and function of probability with negative lower values, then the effectiveness of C.R.M. in terms of prediction of the performance is verified.

Theoretical Background

Literature review

Customer Relationship Management finds its origins inside of the Relationship Marketing (Ballantyne, 2002). The importance of C.R.M. from different points of views is also found out in different schools of thinking such as the scandinavian (Gummesson, 2002) or the Anglo-Saxon-Australian one (Buttle, 2009). Thanks to Payne, C.R.M. is seen more and more like a Marketing strategy (Payne 2005) and does impact on the performance. On the other side the Strategic framework for C.R.M. invented by Payne does not match with the opportunity to make comparaison with the context out of Marketing and Sales. In this direction it is very interesting to analyse more in depth the potential pifalls of C.R.M. (Boulding 2005). At first a potential pifall could be do not considering C.R.M. as a strategy at 360 degrees, meaning that it is very important to match C.R.M. with all the internal processes of a company. At second, there are few proofs about the efficacy of C.R.M. on relationships. In his work «A Customer relationship management roadmap: What is known, potential pitfalls, and where to go », Boulding argues that 8 on 10 papers about C.R.M. demonstrate the impact on performance. By the way these conclusions are true for very specific markets. At third, it is also important to point out the importance of selecting the suitable Customer metric, because wrong metrics can lead to rigidity. Somebody would prefer such metrics like Level of company activity, innovation or stakeholders (Gupta 2004). A more original approach comes from Gupta when He tries to identify a connection between unobservable metrics such like loyalty and observable metrics such like cross-selling in order to understand the impact on financial performance. Concerning with this, there are some others works about metrics (Ryals 2005). Ryals determines that C.R.M. increases the performance if it is possible to maximize the value for the Customer thanks to Customer Lifetime value as metric. In this case the pitfall is represented by the conduction of the study just about the financial market. In a second work (Ryals, 2006), the same author puts in evidence such metrics like Cost to serve and Customer portfolio management. In both cases C.R.M. is not successful if the Supplier has no focus about profitable Customers retention. These conclusions anticipate the ones coming from Kumar’s even if there is a big difference in terms of methods given that Ryals uses a qualitative approach instead of Kumar who implies a quantitative approach. In the second case the result is that C.L.T.V. is more effective compared to S.O.W. because it allows the Supplier to better allocate resources on profitable Customer who do not correspond to loyal ones (Kumar, 2009). Kumar identifies two models: the first in order to choose the Customers for retention on the basis of the costs of acquisition and C.L.T.V. ; the second in order to choose only profitable Customers on the basis of high C.L.T.V. levels. Finally, the third model helps the Supplier to decide how to invest on Customers by crossing C.L.T.V. together with S.O.W. These two metrics can increase the Customer Equity (Kumar, Reinartz, 2002). Moreover, in terms of content, the Share of the Wallet is defined as the ratio between "the total number of categories of products sold" and "the totale number of categories of products available from the Supplier" (Kumar, 2012 a). It is interesting to note that Kumar couples C.R.M. process into two different moments: the first one which is all about the importance of Customer acquisition, measured by penetration rate ; the second one which is about the significance of Customer retention, measured by the Share of the Wallet (Kumar, 2012 b). In other terms, he separates S.O.W. from the early stage of a developing Sales Organization. At third S.O.W. is not well studied like Customer metric. We only encounters a S.O.W. analysis with a quantitative method such as a simple linear regression (Coil, 2007). In some cases the literature studies S.O.W. with a multinomial logit model with the software SAS (Kumar, 2012 b). So far, the cultural gap about C.R.M. mainly consists of using a theoretical background which considers all the stakeholders engaged into the relationship with a Customer inside of an organization. In particular Relationship Marketing by Ballantyne finds out that there is the need to focus Marketing action on six markets instead of the Customers merely. Relationship Marketing recognises that multiple market domains can directly or indirectly affect a business ability to win or retain profitable Customers (Ballantyne, 2002). At second, there is the need for a new paper investigating the impact of C.R.M. on performance. At third it would be nice to use a new definition of S.O.W. such like a company's sales to a specific Customer as a percentage of that Customer's total purchases of products of that specific type (Davis, 2013). At fourth, there is the need for testing S.O.W. in the dental market in order to test this Customer metric in non contractual settings. In general, it is easier to measure S.O.W. in contractual settings such as medical market because, in this case, each relationship is protected by the deadline of a contract. Therefore the firm is able to observe when Customer churns from the database. Usually, when studying whether a firm can predict why and when a Customer is likely to churn, a researcher can use a logit regression model where the duration is assumed as dependant variable. In non contractual settings the researcher needs to establish a censor or better a window of observation, but he never knows when a Customer is going to churn so that a stochastic model is needed. At fifth, a new quantitative method of research such like the stochastic one using functions of probability is a new approach as well compared to the SAS software or the linear regression.

The model

Given that Companies have to satisfy six markets (Ballantyne, 2002), the author wants to verify relationships between Internal Markets and Customer Markets (H1) and the one between Referral Market and Customer Markets (H2). We define the company that has to be studied as Internal Markets and dental studios as Customer Markets. Besides we define Referral Market as the relationship between existing Customers and prospetive Customers. We expect that in non contractual settings in dental field the weight of Referral Market is not so high because there is no public contract which can influence the Customer Markets. Besides in dental market, which is a non contractual

setting, Customer referrals are represented only at 25% by existing Customers such as dental technicians and at 75% by prospective Customers such as other dentists. So it is less likely to increase performance thanks to word of mouth. Moreover dentists feel to be competitors to each others and usually they do not help their similars.
In particular :
H1 : The relationship between a change in Share of the Wallet tracked by C.R.M. and a change in Performance is positive. So that S.O.W. helps to predict Performance.
H2 : The relationship between a change in Share of the Wallet tracked by C.R.M. and a change in Performance is positive. So that S.O.W. helps to predict Performance.
On the basis of results, the author will be able also able to make a review of the key market domains that may be important to the company which has been object of study.

Figure 1
The model and Hypotheses

Methodology
Data collection
The author has met the opportunity to analyse the role of C.R.M. inside the supply chain of an italian company playing in the Dental market just for consumables. Beyond this, the company is shifting slowly from a B2B sales organization to a B2C on, in a sense that there are Distributors involved as well as direct Sales Agents playing in the market at the same time but in different territories. In order to integrate more processes as well as more information, the company has provided direct Sales Agents with a C.R.M. tool and a C.R.M. organization of sales. Now the author wants to discover positive effects of C.R.M. on prediction of the performance. This is the reason why it has been constructed a random sample or Customer base of 30 items following a normal distribution. It has not been possible to make any comparaison among Sales Agents and Distributors because at first Distributors cannot be obliged to let the firm know the identity of the End-Customer in Italy as well as in Europe. At second, the company faced some IT problems to provide Distributors with the same C.R.M. tool because there was no interface between C.R.M. and E.R.P. system for the creation of invoices so that no distributor was willing to use this new C.R.M. tool. The author has

conducted this research by using Microsoft Dynamics C.R.M. which is a very powerful tool. In fact it waas possible to collect every kind of information about Customers. It works by storing and demanding information into each Account. For istance it has been possible to track orders in terms of total amount.

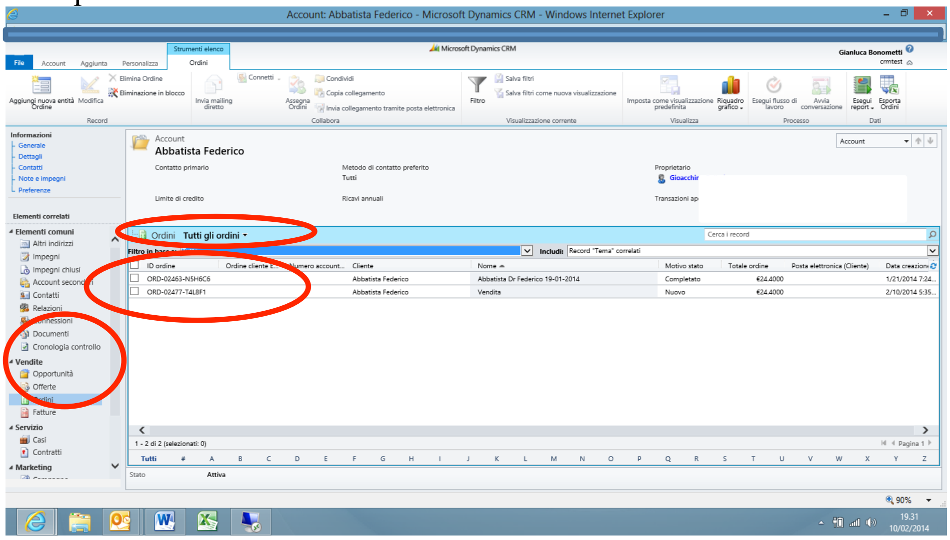


Figure 2
Collection of orders for each Customer by using Microsoft Dynamics C.R.M.

Afterwards it has been possible to track the product mix for each order of each Customer.

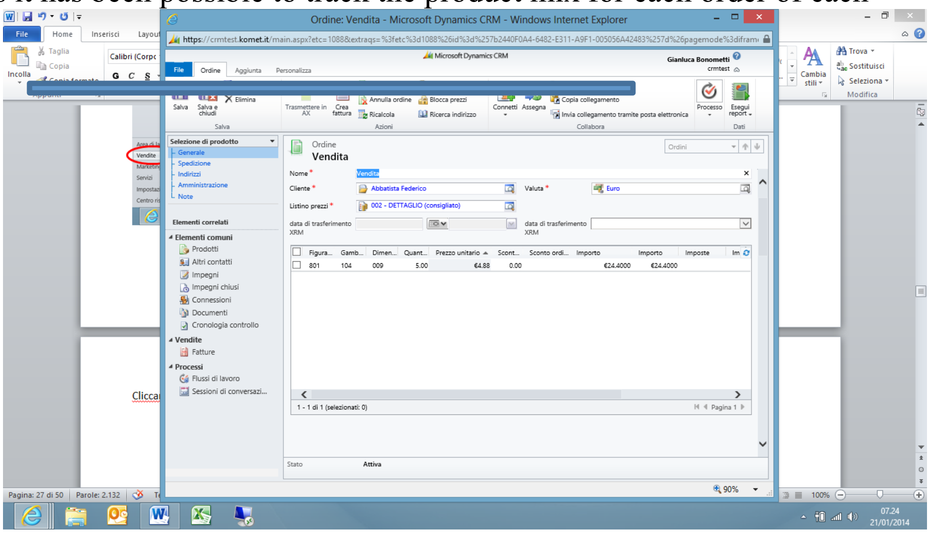


Figure 3
Product mix of orders for each Customer by using Microsoft Dynamics C.R.M.

After this it is also possible to track main specialties of all dental studios such as prosthesis, surgery … by using the field « Description ».

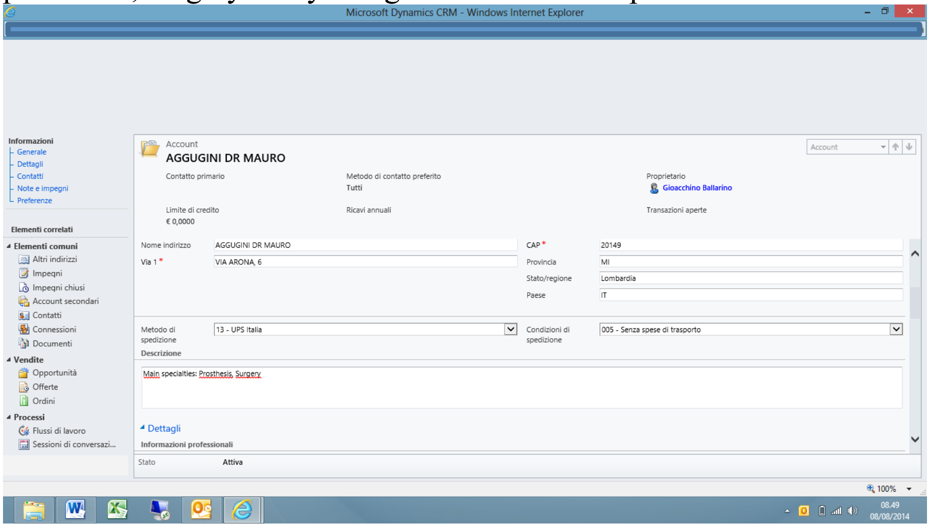


Figure 4
Specialties for each Customer by using Microsoft Dynamics C.R.M.

Tracking which primary Customer let the Sales Agent be connected to the new Customer is easy thanks to the function « Primary contact »
What could be difficult to track would be the result of each appointment of work in terms of sales argument in order to identify the winning value proposition, but it was achieved as follows.

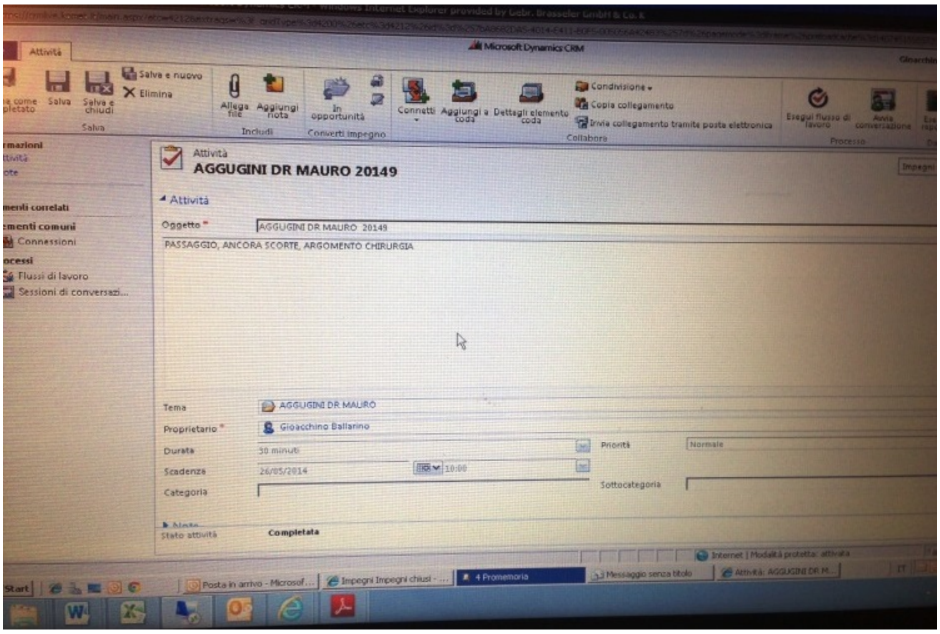


Figure 5

Report of the visit by using Microsoft Dynamics C.R.M.
Finally it was possible to track the number of visits as well as the number of orders to estimate Customer Lifetime Value as follows.

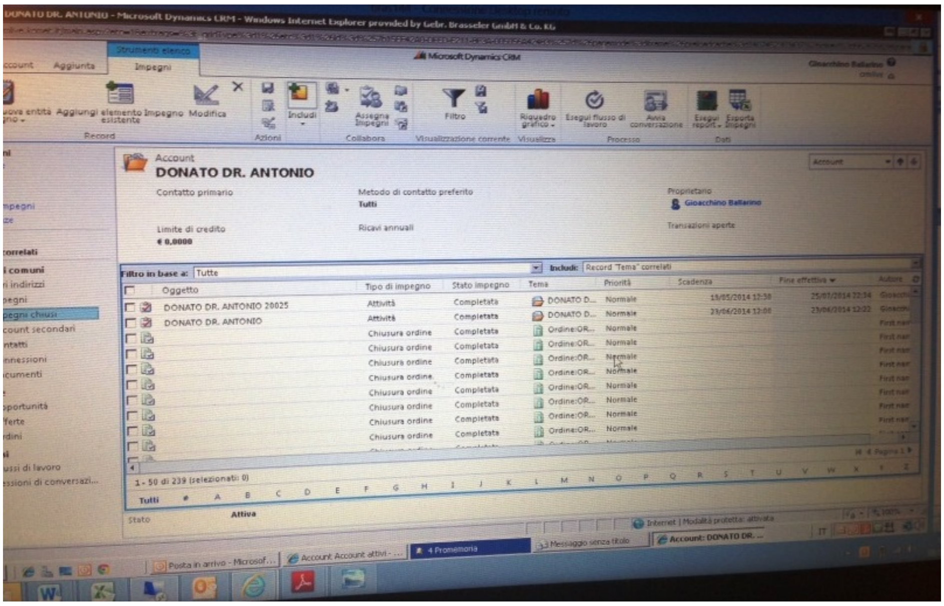


Figure 6
Number of visit per Customer by using Microsoft Dynamics C.R.M.
Then, it has been calculated the Share of the wallet for each item in terms of a company's sales to a specific Customer as a percentage of that Customer's total purchases of products of that specific type (Davis, 2013). Moreover it has been calculated the average Customer's total purchases of products of that type by multiplying the average percentage of expenses for that type of consumables (Keystone, 2013) with the total expense in consumables for each italian dental studio (Andi, 2013), that is equal to 1.260 €. It is possible to consult each single value for S.O.W. just by observing the first tables of contents (table 1).

# Customer	mar-13	apr-13	may-13	jun-13	jul-13	sep-13	oct-13	nov-13	dec-13	jan-14	feb-14	mar-14	apr-14	Total	Sow	Recency
1	448,98	141,89	223,84	203,61	40,59	211,39		88,54	838,51	53,7		422,69		2673,74	2,12	9
2		153,36	407,43	357,41	100,08	627,42	126,25		403,56		80,52			2256,03	1,79	8
3											279,15	1546,55		1825,7	1,45	9
4		146	365,06					1077,37						1588,43		5
5				566,36							488,58	277,04		1331,98	1,06	9
6						436,29	211,6	29,45			579,24			1256,58	1,00	8
7		62	396,62	107,06	113,04		352,51			47,52				1078,75	0,86	7
8		752,65				177,3				127,17				1057,12	0,84	7
9				338,75				327,33			287,28			953,36		8
10							350,7	501,22						851,92	0,68	5
11						810,59								810,59	0,64	3
12	147,25			350,36								274,26		771,87	0,61	9
13			504,32		116,9		144,35							765,57	0,61	4
14			343,94				417,15							761,09	0,60	4
15				177,79							573,6			751,39	0,60	8
16				201,8					548,89					750,69	0,60	6
17				213,28	43,25		171,48		134,98		83,28	79,6		725,87	0,58	9
18			308,92										405,91	714,83	0,57	10
19		175,75			110,95	141,3		125,64		149,4				703,04	0,56	7
20			422,15									239,2		661,35	0,52	9
21				625,42										625,42	0,50	1
22			541,93	83	83		-83							624,93	0,50	4
23					171,77						418,05			589,82	0,47	8
24				98							467,39			565,39	0,45	8
25	169,75	153,2	59,05								180,72			562,72	0,45	8
26		286,24						184,77		69,89				540,9	0,43	7
27		182,95						226,09			130,22			539,26	0,43	8
28		528,36												528,36	0,42	-1
29		517,42												517,42	0,41	-1
30				498,11										498,11	0,40	1

Table 1
S.O.W., Recency and Monetary Value

At this point, we describe how to implement the Beta Geometric/Beta Bernoulli model for Customer-base analysis1 using Microsoft Excel (Fader 2009).
We first consider how to estimate the model parameters by “coding-up” the log-likelihood function. For a sample of K Customers, where Customer k’s purchase history is denoted by (xk, txk, nk), the sample log-likelihood function is given by:

$$L(\alpha,\beta,\gamma,\delta \mid x,t_x,n) = \frac{B(\alpha+x,\beta+n-x)}{B(\alpha,\beta)}\frac{B(\gamma,\delta+n)}{B(\gamma,\delta)} + \sum_{i=0}^{n-t_x-1} \frac{B(\alpha+x,\beta+t_x-x+i)}{B(\alpha,\beta)}\frac{B(\gamma+1,\delta+t_x+i)}{B(\gamma,\delta)} . \qquad (1)$$

$$LL(\alpha,\beta,\gamma,\delta) = \sum_{k=1}^{K} \ln\left[L(\alpha,\beta,\gamma,\delta \mid x_k, t_{x_k}, n_k)\right] .$$

where xj and txj are the frequency and recency associated with each unique pattern. In this study we compare frequency to share of the wallet. We need some starting values for the four parameters : α, β, γ, δ . We locate these parameter values in cells B1:B4 (table 2). We compute B(α,β) and B(γ,δ) in cells E1 and E3 using :

=EXP(GAMMALN(B1)+GAMMALN(B2)-GAMMALN(B1+B2))
and
=EXP(GAMMALN(B3)+GAMMALN(B4)-GAMMALN(B3+B4))
respectively.

On the other side,for the first recency/frequency pattern, this formula is entered in cell H9 as

=EXP(GAMMALN($B$1+A9)+GAMMALN($B$2+C9-A9)
-GAMMALN($B$1+$B$2+C9))/$E$1*EXP(GAMMALN($B$3)
+GAMMALN($B$4+C9)-GAMMALN($B$3+$B$4+C9))/$E$3

We copy this expression down to cell H30.

To the extent to which we have computed all the elements of equation (1), we sum them up by entering =SUM(H9:N9) in cell F9. This gives us the value of the like-lihood function (1) for the recency/frequency combination in row 9, as evaluated for the four parameters given in cells B1:B4. We copy this down to cell F30.
Finally, we multiply the number of Customers associated with each of the 30 recency/frequency patterns by the log of the corresponding likelihood function value. Then,We enter =D9*LN(F9) in cell E9 and copy this down to cell C30. Moreover the sum of these 30 cells is entered in cell B6: =SUM(E9:E30). This is the result of the sample log-likelihood function (equation (3)) given the values of the four model parameters in cells B1:B4.
At last, by Clicking the Solve button, we find the values of the four model parameters that maximize the log-likelihood function.

alpha	1,204		B(alpha,beta)	1,146									
beta	0,750												
gamma	0,657		B(gamma,delta)	0,729									
p1x	tx	n	# donors		L(.|x,t_x,n)	n - t_x - 1		0	1	2	3	4	5
2,12	9	6	1	-5,7	0,0033	-4	0,0033	0	0	0	0	0	0
1,79	8	6	1	-5,5	0,0039	-3	0,0039	0	0	0	0	0	0
1,45	9	6	1	-5,3	0,0049	-4	0,0049	0	0	0	0	0	0
1,26	5	6	1	-5,0	0,0066	0	0,0058	0,0007588	0	0	0	0	0
1,06	9	6	1	-4,9	0,0071	-4	0,0071	0	0	0	0	0	0
1,00	8	6	1	-4,9	0,0076	-3	0,0076	0	0	0	0	0	0
0,86	7	6	1	-4,7	0,0090	-2	0,0090	0,0000	0	0	0	0	0
0,84	7	6	1	-4,7	0,0091	-2	0,0091	0,0000	0	0	0	0	0
0,76	8	6	1	-4,6	0,0102	-3	0,0102	0,0000	0	0	0	0	0
0,68	5	6	1	-4,4	0,0126	0	0,0113	0,0013	0	0	0	0	0
0,64	3	6	1	-3,9	0,0207	2	0,0118	0,0050	0,00245507	0,001361	0	0	0
0,61	9	6	1	-4,4	0,0124	-4	0,0124	0,0000	0,0000	0	0	0	0
0,61	4	6	1	-4,1	0,0164	1	0,0125	0,0025	0,0014	0	0	0	0
0,60	4	6	1	-4,1	0,0165	1	0,0125	0,0026	0,0014	0	0	0	0
0,60	8	6	1	-4,4	0,0127	-3	0,0127	0,0000	0,0000	0	0	0	0
0,60	6	6	1	-4,4	0,0127	-1	0,0127	0,0000	0,0000	0,0000	0	0	0
0,58	9	6	1	-4,3	0,0130	-4	0,0130	0,0000	0,0000	0,0000	0	0	0
0,57	10	6	1	-4,3	0,0132	-5	0,0132	0,0000	0,0000	0,0000	0	0	0
0,56	7	6	1	-4,3	0,0134	-2	0,0134	0,0000	0,0000	0,0000	0,0000	0	0
0,52	9	6	1	-4,3	0,0141	-4	0,0141	0,0000	0,0000	0,0000	0,0000	0	0
0,50	1	6	1	-2,5	0,0829	4	0,0147	0,0448	0,0132	0,0056	0,0029	0,0016	0
0,50	4	6	1	-4,0	0,0192	1	0,0147	0,0029	0,0016	0,0000	0,0000	0,0000	0,0000
0,47	8	6	1	-4,2	0,0154	-3	0,0154	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
0,45	8	6	1	-4,1	0,0159	-3	0,0159	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
0,45	8	6	1	-4,1	0,0159	-3	0,0159	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
0,43	7	6	1	-4,1	0,0164	-2	0,0164	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
0,43	8	6	1	-4,1	0,0164	-3	0,0164	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
0,42	-1	6	1	-0,7	0,4945	6	0,0166	0,0000	0,4115	0,0436	0,0137	0,0060	0,0031
0,41	-1	6	1	-0,7	0,4833	6	0,0169	0,0000	0,4000	0,0435	0,0137	0,0060	0,0032

Table 2
Parameters estimation

Next we show how to create a set of plot in order to compare the expected number of people making 0, 1, . . . , 6 repeat transactions to the actual frequency distribution.

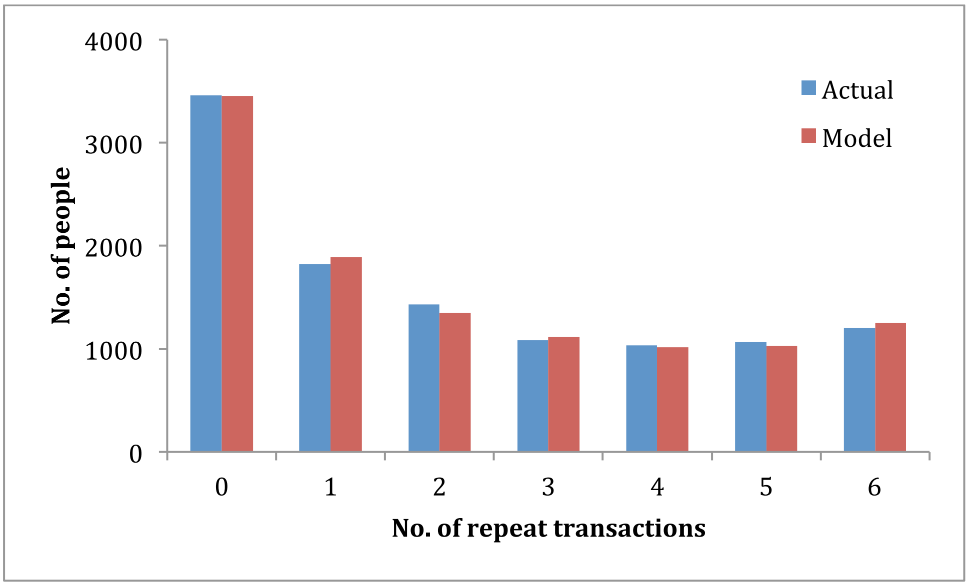


Figure 5 Plot

Results and Implications
Given that, with starting values of 1.0 for all four parameters, LL = -37,232.0, we can say that we verified the Hypothesys 1. In fact, in this study, LL= -98,7.
We found the values for all parameters that maximize the function of probability (table 2).
Finally, there is a good fit for the model that we used as it is shown in the plot.
Unfortunately it was not possible to test Hypothesys 2, because Referral Markets was a too small subset of the Internal Markets. In this case the sample wouldn't be

significant. Moreover many times salesmen did not point out if the prospective Customer was founded thanks to referrals.

Conclusions

We have demonstrated that C.R.M. impacts on relationships in terms of S.O.W. This could be true for noncontractual settings. It is very significant inside of dental market because there is a high fragmentation of dental studios. This means that it is difficult to create strong relationships because You do not have so much time as salesman ; so it would be very interesting for many companies to invest on C.R.M., especially when shifting from B2B to B2C context. Of course it is possible to increase the performance in terms of S.O.W., but the author also knows that the Sales Agents working for this company are engaged since no more than one year. So the show must go on. Then, other implications are that Sales Managers can better monitor information as well as results compared to objectives. Finally the Administration as well can interact with the external world outside the company as well as salesmen can share information about terms of payments and so on with the company thanks to C.R.M.

Limitations and further conclusions

This research could be more detailed by using the number of discounted expected residual transactions (DERT). Moreover we could reach better values by doing again the procedure for the solver. Then this research has limitations about hypotheses, because nothing was said about possible positive effects of changes in Networks versus Performance. For instance, sometimes better discounts to enter a particular network could lead to higher S.O.W. and so on to higher performances and sometimes not. Moreover, there is certain part of literature wondering about the opportunity to consider S.O.W. by itself (Kumar, 2012 a). For this reason we suggest to consider more then one Customer metric in order to find the best one to describe impact of C.R.M. on relationships. Finally, it would be nice to explore results in case of Distributors using C.R.M. to increase performance of sales.

References

Andi, 2013. Sostenere la salute degli italiani. Odontoiatria e Politica insieme per un modello di assistenza organizzato ed efficace.
Symposium AIO-ANDI-UNIDI.
Boulding, 2005. A Customer relationship management roadmap: What is known, potential pitfalls, and where to go. *Journal of Marketing*.
Barton, 2012. Making advanced analytics work for You. *Harvard Business Review*
Buttle, 2004. Customer Relationship Management: Concepts and tools. *Elsevier Butterworth-Heinemann, Oxford.*
Buttle, 2009. Customer Relationship Management. Concepts and technologies. *Elsevier.*
Davis, 2013. Measurign Marketing.
Fader, 2009. Probability Models for Customer-Base Analysis. *Journal of Interactive Marketing.*
(Grönroos, 2012). Return on relationships : conceptual understanding and measurement of mutual gains from relational business engagements. *Journal of business and industrial marketing*
Gummesson, 2002. Total Relationship Marketing.
Gupta, 2004. Valuing Customers. *Journal of Marketing Research.*
Rosso, 2013. Keystone sell-out Analysis *Keystone press*
Kumar, Reinartz, 2002.
Kumar, 2009. Profitable Customers Management: Measuring and maximizing Customer Lifetime Value. *Management Accounting.*
Kumar, 2012 a. The dark side of cross-selling. *Harvard Business Review.*
Kumar, 2012 b. Unprofitable Cross-Buying: Evidence from Consumer and Business Markets. *Journal of Marketing*.
McAfee, 2014. The second machine age. Work, Progress, and Prosperity in a time of brilliant technologies.
Payne, 2005. A strategic framework for Customer relationship management. *Journal of Marketing*.
Porter, 2008. Competitive advantage : creating and sustaining superior performance. *Book.*
Porter, 1985. How information gives you competitive advantage. *Harvard Business Review*
Reinartz, Kumar, 2002. The mismanagement of Customer loyalty. *Harvard Business Review.*
Ryals, 2005. Making Customer Relationship Management work: the measurement and profitable managament of Customer relationships. *Journal of Marketing*.
Ryals, 2006. Profitable relationships with key Customers: how suppliers manage pricing and Customer risk. *Journal of Strategic Marketing*.

Business-to-Business Supplier-Customer Relationship Value Creation

Alexandre Metreveli*, Beverly Wagner*, and Fred Lemke**

* University of Strathclyde – Business School, Department of Marketing,
199 Cathedral Street, Glasgow G4 0QU, UK
** Newcastle University, 5 Barrack Road, Newcastle upon Tyne, NE1 4SE, UK

Key Words: Supplier-Perceived Value, Customer-Perceived Value, Value Functions, Business-to-Business Relationship Value Creation

Abstract

In recent years, the topic of value creation in industrial supplier-customer relationships has attained growing attention in marketing research and practice. As Walter et al. (2001, p. 365) state, "The essential purpose for a supplier and customer firm engaging in a relationship is to work together in a way that creates value for them." Also, some of the studies inform that in order for the supplier-customer relationship to sustain, the creation of value for both of the parties of the dyad needs to take place (e.g., Ravald and Gronroos, 1996, Blois, 2004, Songailiene et al., 2011, Smals and Smits, 2012). Accordingly, both, supplier- and customer-perceived values are important when investigating supplier-customer relationships (Ritter and Walter, 2012, Walter et al., 2001). Despite that, the research on customer-perceived value and value creation for the customer firm is dominating, while there has been relatively scant attention to the supplier-perceived value and value creation for supplier firm study areas (Songailiene et al., 2011, Walter et al., 2001). This research, instead, addresses both, value creation for a supplier and for customer firms.

Relationship value can be defined in many ways, but the one marketing studies adapt most frequently is the overall evaluation of benefits and sacrifices one party perceives from the relationship with its dyadic counterpart (Ulaga and Eggert, 2006). Biggemann and Buttle (2012, p. 1132) highlight that "…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." In a similar vein, Lindgreen and Wynstra (2005) and Aarikka-Stenroos and Jaakkola (2012) also associate the value creation to increased benefits and/or diseased sacrifice. The extant literature acknowledges that values perceived by suppliers and customers are created by relationship value functions of their respective dyadic counterparts (e.g., Walter et al., 2001, Ritter and Walter, 2012). This also resembles the terms of relationship value drivers (e.g., Ulaga, 2003) and relationship value dimensions (e.g., Möller and Törrönen, 2003, Biggemann and Buttle, 2012) being present in supplier-customer relationships. These functions can be defined as contributions the supplier-customer relationship bring to the value creation at a focal firm of the dyad and can concern both, the given relationship and affected by it external networks of the focal party (Walter et al., 2001, Ritter and Walter, 2012, Biggemann and Buttle, 2012). Thus, the relationship value functions go beyond the supplier-customer relationship and concern the creation of values for the beneficiary partner firm in its other relationships outside the given dyad as well.

In spite of a growing body of research in relation to creating values for supplier and customer through the relationship value functions, the review of the literature showed that there is no accepted conceptualization of the lists and descriptions of those functions. Also, some of the functions overlap to some extent. This study argues about the deficiencies regarding all these issues in the literature and additionally contributes to the value creation study by designing more rigorous lists and definitions of supplier-buyer business-to-business relationship value creation functions. The study also has practical implications, as it can equip suppliers and customers with deeper insights about the supplier-customer value creation phenomenon and better understanding about what to give, request or expect in the dyadic relationships with their trading partners. Finally, the directions for the future research are suggested.

Bibliography

AARIKKA-STENROOS, L. & JAAKKOLA, E. 2012. Value co-creation in knowledge intensive business services: A dyadic perspective on the joint problem solving process. *Industrial Marketing Management,* 41**,** 15.

BIGGEMANN, S. & BUTTLE, F. 2012. Intrinsic value of business-to-business relationships: An empirical taxonomy. *Journal of Business Research,* 65**,** 1132-1138.

BLOIS, K. 2004. Analyzing exchanges through the use of value equations. *Journal of Business and Industrial Marketing,* 19**,** 250 - 257.

LINDGREEN, A. & WYNSTRA, F. 2005. Value in business markets: What do we know? Where are we going? *Industrial Marketing Management,* 34**,** 732-748.

MÖLLER, K. E. K. & TÖRRÖNEN, P. 2003. Business suppliers' value creation potential: A capability-based analysis. *Industrial Marketing Management,* 32**,** 109-118.

RAVALD, A. & GRONROOS, C. 1996. The value concept and relationship marketing. *European Journal of Marketing,* 30**,** 19-30.

RITTER, T. & WALTER, A. 2012. More is not always better: The impact of relationship functions on customer-perceived relationship value. *Industrial Marketing Management,* 41**,** 136-144.

SMALS, R. G. M. & SMITS, A. A. J. 2012. Value for value - The dynamics of supplier value in collaborative new product development. *Industrial Marketing Management,* 41**,** 156.

SONGAILIENE, E., WINKLHOFER, H. & MCKECHNIE, S. 2011. A conceptualisation of supplier-perceived value. *European Journal of Marketing,* 45**,** 383-418.

ULAGA, W. 2003. Capturing value creation in business relationships: A customer perspective. *Industrial Marketing Management,* 32**,** 677-693.

ULAGA, W. & EGGERT, A. 2006. Relationship value and relationship quality: Broadening the nomological network of business-to-business relationships. *European Journal of Marketing,* 40**,** 311-327.

WALTER, A., RITTER, T. & GEMÜNDEN, H. G. 2001. Value Creation in Buyer–Seller Relationships: Theoretical Considerations and Empirical Results from a Supplier's Perspective. *Industrial Marketing Management,* 30**,** 365-377.