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Monetary value of a supply chain relationship: What would it take to dump your partner?

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Abstract

Purpose – This paper introduces a framework for measuring B2B relationship value and tests whether relationship value changes across various relationship levels. It measures relationship value in monetary terms and tests whether higher level relationships have higher value both for buyers and sellers.

Design/methodology/approach – The data was collected using structured interviews with marketing managers and purchasing officers within the food manufacturing sector in New Zealand. The data was subjected to ANOVA statistical analysis.

Findings – The findings suggest that lower level relationships (transactional) could be dropped for minimal additional financial gain but firms were willing to forego extremely attractive scenarios to keep their cooperative partners.

Originality/value – Implications suggest that managers value cooperative relationships and are willing to forego very attractive prices in order to keep the non-price value components. If managers can ascertain what these valued components are and how they can be utilized, they can make themselves a highly valued partner.

Keywords: Supply chain management; buyer / seller relationships; discrete; long-term relationships; strategic alliance; reduction in costs; trust and commitment; relationship value.

JEL Classifications: L66; M10

PsycINFO Classifications: 3660

FoR Codes: 1503

Introduction

In turbulent financial times, organizations must be both efficient and responsive to their supply chain partners and their customers in order to be competitive, (Coyle, Bardi & Langley 2003; Min & Mentzer, 2004; Bechtel & Jayaram, 1997; Christopher, 2000; Christopher & Lee, 2004). Managing off shore production with customer demand, and coordinating outsourced supply, and logistics activities requires linkages with distribution and warehousing facilities, all these supply chain activities require coordination achieved through dependable supply chain partners (Paik & Bagchi, 2007).

As supply chains become more global in an effort to remain competitive in manufacture and supply, by reducing costs, the structure of relationships becomes more complex in nature. Spekman and Davis (2004) suggest that “by virtue of the interdependence that exists between trading partners” (p 431) there is the propensity for relationship risk to occur. Yet while stable relationships are desirable, each organization exposes themselves to risk when they become dependent upon relationships with other firms (Hallikis, Karvonen, Pulkkinen, Virolainen & Tuominen, 2004; Selnes, 1998).

This article conducts a study to identify the monetary value of business to business relationships. To achieve this, we define transactional and relationally orientated levels of relationships for both the purchaser and the marketer as representatives of supply chain partners and identify the relational and behavioural attributes associated with each level.

The relationship marketing literature provides sufficient theoretical foundations for the present study. Guided by the extensive literature on buyer/seller relationships (Webster, 1992; Dwyer et al., 1987; Morgan and Hunt, 1994; Donaldson & O’Toole, 2000; Spekman & Carraway 2006; Ryu, So & Koo, 2009), and using our own classification scheme framework (Clements, Dean & Cohen, 2007) which has been developed based on five structural elements found in all relationships. These elements were drawn primarily from the work of Webster (1992), and Donaldson and O’Toole (2000) and include: regularity, input dominance, contractual status, communication status, and competitive positioning.

In transactional focused exchange including transactional marketing, both buyers and sellers interact on a generic basis (Hingley & Lindgreen, 2002), often price paid for product supplied. Conversely, relationally oriented exchange, including relationship marketing, is based upon both parties developing a unique offering which can only be satisfied through both parties working closer together. The manner in which exchange partners interact, changes from power and control as prevalent in transactional exchange to constructs such as trust and commitment in relationally oriented exchange.

In order for longer term relationships to develop, both the customer and the supplier need to be able to depend on each other. Trust is seen as a facilitator and developer, and a critical determinant in managing business relationships (Anderson & Narus, 1990; Dwyer et al., 1987; Schurr & Ozanne, 1985; Morgan & Hunt, 1994; Jap, Manolis & Weitz, 1999; Kozak & Cohen, 1997; Doney & Cannon, 1997; Sahay 2003; Johnston et al., 2004; Gounaris, 2005; Tomkins, 2001; Ulaga & Eggert, 2006), and signifies a belief that expectations and motives of a relationship partner can be relied, and delivered upon (Hogarth-Scott, 1999; Schurr & Ozanne, 1985; Kumar 1996; Moorman, Deshpandé & Zaltman, 1993; Zajac & Olsen, 1993; Mouzas, Henneberg & Naude, 2007; Caceres & Pappas, 2007; Seppanen, Blomqvist & Sundqvist, 2007; Suh & Kwon, 2006). Commitment signifies, to successful relationships, a pledge of continued relational exchange that implies a willingness to sacrifice short-term goals for long-term benefits (Dwyer et al., 1987; Anderson & Weitz, 1992; Yang et. al., 2008; Gao, Sirgy & Bird, 2005).

Businesses today still place emphasis on profit-and-loss statements and quarterly earnings reports leads managers to maximise their own company's profits. Managers therefore find it difficult not to "expropriate the economic benefits of alliances relationships at the expense of the alliance partner" (Fawcett, Ellram, & Ogden, 2007, P356).

Bearing this organizational dilemma in mind and accepting that literature identifies characteristics of different types of relationships and their strengths, there appears little research which identifies the monetary value at which supply chain partners would swap their relationship partners for each type of relationship. Whilst many researchers identify the virtues of long term mutually beneficial stable relationships characterized by trust, commitment and information sharing, (Fontenot & Wilson, 1997), there are sparse references to the monetary value that purchaser's and marketers both place on these 'so called' sought after relationships.

An investigation of switching behavior will contribute to our understanding of the monetary value purchasers and marketers attribute to the worth of transactional verses relationally oriented exchange. The present study will extend these previous findings on buyer/seller relationships by providing understanding as to the level of orientation of relationships that are considered susceptible to switching behaviour based on monetary value.

With these motivations in mind, this article reports the results of an empirical study. In the next section, we discuss the theoretical background by examining the concept of relationship worth in monetary terms from an inter-organizational perspective in the supply chain context and develop the research hypotheses. The research method for the empirical study is then explained, followed by a discussion of the data analysis and results. We then discuss the findings and draw implications for researchers and practitioners. This paper concludes by suggesting areas of further development which will encourage sustainable relationship development in supply chains.

Competing in complex global marketplaces as supply chains

The new business model requires organizations to be able to compete globally in complex customer driven markets. This dynamic environment sees competition between supply chains (Christopher & Towill, 2001; Lambert & Cooper, 2000; Spekman et al., 1998; Gunasekaran, Lai & Cheng, 2008). To be able to compete organizations need to be able to leverage their own sources of competitive advantage off those of their supply chain partners (Whipple & Frankel, 2000; Hamel et al., 1989; Lorenzoni & Lipparini, 1999; Clements, Lazo, & Martin, 2008; Li et al., 2006; Cao & Zhang, 2011).

Supply chains may be conceived of as a set of organizations involved in the upstream and downstream flow of products, services, information, and finances (Min & Mentzer, 2004). In addition, the chains activities include material information which flows from initial suppliers, through the channel members to the final end user or customer (Bechtel & Jayaram, 1997). By definition, this paradigm suggests that organizations within a supply chain must work more effectively together to become customer focused and market driven (Hines, 2004) which requires organizations to be able to depend on one another in stable supply chain relationships, (Clements & O'Loughlin, 2007).

This necessitates a participant focus on achieving better coordination and improved integration between supply chain partners through sharing information (Christopher & Jüttner, 2000) and through the development of inter-firm relationships (Gattorna, 2006). The quality of these inter-firm interactions effectively moderates a firm's ability to deliver to the customer (Clements & Sense, 2010). However, while extensive literature identifies the benefits of inter-firm relationships (Dwyer, Schurr & Oh, 1987; Achrol & Stern, 1988; Webster, 1992; Kalawani & Narayandas, 1995; Frazier, 1999), there is

also concern at the potential risks of ongoing reliance or dependence with other channel members (Spekman & Davis, 2004; Hallikas, Karvonen, Pulkkinen, Virolainen, & Tuominen, 2004) and how the degree of inter-dependency amongst the participants impacts the opportunity for one of the chain participants to act in its own self-interest to the detriment of other supply chain members (Spekman & Davis, 2004). The move away from contractual arms-length relationships to other more relationally oriented arrangements exposes both parties to risk that can no longer be mediated or managed by contractual agreement (Clements, Dean, & Cohen, 2010).

Within the buyer /seller relationship literature, theories on inter-firm relationship development predominately fit within two main streams. One stream considers the stages in the relationship life cycle wherein relationships evolve over the life cycle of the relationship (Dwyer, Schurr & Oh, 1987; Knox & White, 1991; Jackson, 1994; Palmer & Bejou, 1994; Heide, 1994; Wilson, 1995). The second stream draws attention to the levels of relationship based on the structure, characteristics and attributes that contribute to the nature of the relationship e.g. trust, commitment and communication (Clements, Dean & Cohen, 2007; Donaldson & O'Toole, 2000; Morgan & Hunt, 1994; Day, 2000; Webster, 1992). The attribute/characteristic mix is useful as it can be used to assess changes in inter-firm relationships (Day, 2000; Webster 1992; Macneil 1980; Donaldson & O'Toole, 2000).

In addition to these exploratory empirical studies, other researchers have examined relationships from a continuum perspective. Whilst there is considerable variation in the number and names of relationships levels, there is some agreement on the beginning and end points (Day, 2000; Webster 1992; Clements, Dean & Cohen, 2007). Basic transactional exchange, also known as a discrete transaction is positioned at the beginning of the continuum, with collaborative or relational exchange at the opposite end.

Webster (1992) identifies seven stages of exchange along a continuum; Day (2000) bridges the end points with opportunities for value-added activities. This concept provides both buyer and seller the chance to develop relationships by adding value to their relationship.

With relationship continuums becoming a common tool to assess levels of exchange in inter-firm relationships within the literature (Day, 2000; Webster 1992; Donaldson & O'Toole, 2000), Clements, Dean & Cohen (2007) have developed a classification scheme framework based on five structural elements found in all relationships which include regularity, input dominance, contractual status, communication status, and competitive positioning.

Transactional oriented exchange

This emphasizes the importance of providing economic benefit, profit, efficiency, and effectiveness to attract and retain customers. The behavioural influences of control, power, dependence, conflict, cooperation and collaboration are acknowledged as influential in determining the firm's ability to develop exchange relationships. Traditionally purchasing as a key supply chain service interaction (Caddick & Dale, 1987), has tended to focus on short term price minimization using a selection of suppliers in transactional focused relationships. Industrial marketing, and marketing channels literature characterizes these interactions as being influenced by power, conflict and control (Hingley & Lindgreen, 2002). Recent literature now views the purchasing function as strategic and relationally oriented, focusing on establishing and developing longer term relationships with fewer suppliers, referred to as supply management (Cousins, 2002). This new paradigm of business suggests that for an organization to remain competitive it will need to become a value adding member of an effective supply chain since it is "supply chains that compete and not individual companies" (Christopher & Jüttner, 2000, pp. 118). As future

organizational success will “depend upon the agility and strength of the entire supply chain rather than on the competitive power of any individual company” (Fawcett, Ellram, & Ogden, 2007, p345).

Recent streams examine relationship marketing theories, which predict buyer/seller commitment and trust in a business relationship as drivers of on-going business (Morgan & Hunt, 1994). This "relational" view is referred to as relationally oriented exchange (Park & Kim, 2006).

Relational exchange

This suggests development away from transactional focused exchange to relationally oriented interactions is driven by a firm's desire to compete as a member of a competitive supply chain. Literature identifies important relational characteristics deemed critical for successful relationships. These prominent characteristics include the relationship status such as trust, commitment, and inter-firm communication. Inter-firm trust provides a platform for firms to engage in more advanced relationships. There are many applications for the term 'trust'. From a relational perspective, 'trust' signifies a belief that expectations and motives of a relationship partner can be relied, and delivered upon (Hogarth-Scott, 1999; Kumar 1996; Moorman, Deshpandé & Zaltman, 1993; Zajac & Olsen, 1993). The potential success of trust is often cited as a critical determinant in the potential success of a long-term relationship (Dwyer et al., 1987; Morgan & Hunt, 1994; Jap, Manolis & Weitz, 1999; Kozak & Cohen, 1997). Trust performs a crucial role in the minds of buyers toward their current suppliers and builds a platform for future bargaining with suppliers (Smith & Barclay, 1997). Trust combined with commitment encourages relational exchange, a vehicle to preserve relational investment through cooperation (Fontenot & Wilson, 1997).

It is necessary to understand the importance of inter-firm commitment in developing stable buyer / seller relationships. Similar to trust, definitions of 'commitment' also vary depending upon context and application in a relationship. It can range from as little as an informal agreement to financial contribution to specific assets for long-term exchange. Commitment is the willingness of a firm to provide resources for the purpose of demonstrating their dedication to the continuation of a relationship (Fontenot & Wilson, 1997; Kumar, 1996; Cann, 1998). This level of dedication depends upon the involvement of a firm in the relationship, and at an advanced stage, denotes a level of relationship satisfaction that precludes potential exchange partners who could provide similar benefits (Dwyer et al., 1987). To reduce opportunism in a relationship, commitment in relational exchange cannot be disproportionate between firms.

Communication plays an important role in the ability and the desire of a firm to advance their trading relationship. Communication has a significant influence on the ability of trading partners to form strong relationships (Berry, 1995; Holden & O'Toole, 2004; Mohr & Nevin, 1990). Open communication is associated with trust between relationship partners (Morgan & Hunt, 1994; Anderson & Narus, 1990; Berry, 1995). Collaborative communication in exchange relationships relies on mutual cooperative attitudes and helps regulate compliance amongst relationship members (Morgan & Hunt, 1994). Since satisfaction refers to the meeting of expectations between buyers and sellers, it is proper that communication contributes to these expectation evaluations, in that it enhances the way that exchange partners perceive each other (Williams & Spiro, 1985).

This means that supply chain partners who are involved in relationally oriented interaction, including relationship marketing (Hingley & Lindgreen, 2002) “do not behave opportunistically and do not seek to influence the decisions or actions of the other actor” (p807), (Anderson & Narus, 1990; Dwyer et al., 1987; Morgan & Hunt, 1994).

The above relationship characteristics reflect both organizations desire to work together, and value of the relationship to both parties. The current study continues to investigate the monetary value that buyers and sellers place on both transactionally and relationally oriented exchange. The theoretical framework of this study is our own (Clements, Dean & Cohen, 2007) model of buyer-seller relationship levels. The model consists of four distinct levels of relationship for both the buyer and seller that are believed to predict the development and success of marketing relationships. We posit that our model provides an important framework for examining the monetary value of buyer-seller relationships.

Value Connection

The concept of value by virtue of definition is more encompassing of a spectrum of benefits. Zeithaml (1988) notes that value has been defined as the trade-off between the "...price given and components received.... and is at the core of buyer-seller exchange" (p14). As with a spectrum of relationships from transactional to relational so value is measured dependent upon it's application either as an outcome of a transaction, or as the benefits attributed to an ongoing mutual relationship.

From a transactional value perspective, simple participation in the transaction or exchange suggests benefits the buyer (customer) in direct outcomes of value, such as low price products, good quality products, and efficiencies that result from the transaction (Hogan, 2001). This type of supplier/ business customer value is also defined as "...the worth in monetary terms of the economic, technical, service and social benefits a customer firm receives in exchange for the price it pays for a product offering" (Anderson & Narus, 1990, p 5). The seller also benefits from the immediate sale transaction.

From a relational value perspective as supplier customer relationships develop into cooperative relationships, value from participating in the relationship increases (Wilson, 1995; Webster, 1992). The value derived from the relationship evolves into a key resource (Barney, 1991), and value is therefore amassed as the cumulative worth of all the exchanges that occur between the participating firms (Hogan, 2001). The value proposition to the industrial buyer and seller involves both value from the transaction and value from the relationship (Clements, 2004). Value from the transaction is a direct outcome of an initial exchange. Thus, for value to be continually derived by both parties, the level of relational exchange needs to continue (Clements, Dean & Cohen, 2007).

The often unquantifiable cost/benefit return equation used to gauge the 'value' from an exchange provides a dilemma to organizations pursuing the idea of developing relationships. Are their existing relationships acceptable in their present form, and to what end do they influence the firms competitive advantage? Alternatively Frazier (1999) suggests that there are contexts where the costs of establishing these relationships outweigh the benefits, and one-off or repeated relationships would more aptly address the buyer / seller need. These questions encourage both the buyer and seller to investigate the monetary value of relationships so as to gauge which relationships are stable and which have the propensity to switch.

Switching Behaviour

The above section identifies value based either on the transaction or as a result of the relationship as both tangible and intangible benefits. This section outlines the concept of switching behaviour and examines its connection with buyer-seller relationships.

Switching behavior has strong roots in both business-customer literature and relationship marketing theory and practise (Lopez, Redondo, & Olivan, 2006). Loss of customers affects firm profitability (Reinartz & Kumar, 2003) and costs for developing a new customer base and indeed customer loyalty are expensive, it is less expensive to retain existing customers (Fornell 1992; Reichheld 1996), as building new customer relationships can cost five times more than retaining existing customers (Peters, 1987).

Therefore switching behavior is a serious threat to a firms' profitability and future viability (Berry, 1983; Morgan & Hunt, 1994; Grönroos, 1995) and the achievement of long term relationships (Ganesh *et al.*, 2000). Most of the organizational concern revolves around the cost of losing the benefits associated with having long term relationships with customers. Such benefits of having good relationships with customers include greater usage of the firm's services (Bolton & Lemon, 1999), greater openness to the firm's new products (Hawkins *et al.*, 2004), and increased support to engage in positive word-of-mouth (Dick & Basu, 1994).

Early research by Keaveney (1995) identifies eight factors that motivate customers' switching decisions. These include core service failures, pricing, employee responses to service failures, attraction by competitors, or inconvenience. Other variables include dissatisfaction (Swinyard & Whitlark, 1994), perceived quality (Rust & Zahoric, 1993), awareness of alternatives (Capraro *et al.*, 2003).

Literature postulates that the early stages of the relationship (such as discrete and repeated as discussed earlier) are critical for future continuity of relationships (Bowman, 2004). These early relationships also have a higher probability of switching behaviour than the more long term relationships (such as long term and strategic alliances) (Ongena & Smith, 2001; Israel, 2005).

Whereas as the relationship develops, confidence in the supplier increases (Verhoef *et al.*, 2002), satisfaction within the relationship increases (Anderson & Weitz (1989; Wilson and Mummalaneni, 1990) and trust develops between the parties (Gwinner *et al.*, 1998). Also the cost of switching suppliers rises (Shapiro & Varian, 1999) and commitment increases through continuing interactions.

Loyalty and economic ties in buyer-seller relationships

Buyer-seller literature associates loyalty between relationship partners as an indicator of inter-firm commitment (Dwyer *et al.*, 1987; Morris & Holman, 1988; Sriram & Mummalaneni, 1990) often the result of successful repeated interactions. This level of commitment often precludes the opportunity of alternative suppliers entering the market offering better deals, where current suppliers are unlikely to be replaced in relationships where strong relational characteristics such as trust and commitment are present (Lopez, Redondo & Olivan, 2006). In buyer-seller relations where commitment is economically based, these economic ties are associated in general with economic dependence, therefore emphasis increases towards a partner firm as resources and processes are developed to accommodate the relationship (Johanson *et al.*, 1991; Young & Denize, 1995). Therefore understanding the value that inter-firm relationships utilize in determining customers' switching decisions represents a decisive step in successfully establishing, developing and maintaining buyer/seller relationships. In the next section, a theoretical framework is discussed. The methodology is then described, followed by the results, discussion and conclusion.

Theoretical Framework and Hypothesis Development

Also from Figure 1, we can see that the discrete relationship is distinctive from the other levels of relationship due to its non-regularity of exchange. This one-off approach minimizes the possibility of this level of relationship contributing in any other relational manner. The repeated relationship is distinctive in that one party often controls it and short-term contracts are used. This too minimizes its opportunity of becoming relational and mutually attractive. The long-term relationship reflects a mutually acceptable operationally focused relationship, whereas the strategic alliance focuses on attainment of strategic goals through competitive positioning. Thus, we hypothesize that:

H1: The value that (a) Buyers and (b) Sellers place on the B2B relationship will vary across relationship levels.

As buyer/seller relationships develop into cooperative relationships, value from participating in the relationship increases (Doney and Cannon 1997; Wilson, 1995; Webster, 1992). The value derived from the relationship evolves into a key resource (Barney, 1991; Hunt and Morgan, 1995), and value is therefore amassed into the cumulative worth of all the exchanges that occur between the participating firms (Hogan, 2001). Thus, we hypothesize that:

H2: The value that Buyers and Sellers place on the B2B relationship will be (a) the lowest for Discrete relationships, (b) higher for Repeated relationships, (c) higher still for Long-Term relationships, & (d) the highest for Strategic Alliances.

Research Method

Data was collected from food industry manufacturers and distributors in the Wellington and Christchurch regions of New Zealand via face-to-face structured interviews. The interviews were made up of two parts and required the participant for thirty minutes. This was pre-tested amongst both academics and industry representatives. The interview began with general questions used to categorize the supplier or the buyer (customer) on firm size based on annual turnover and number of employees. In the second part of the interview the respondents identified and classified a particular relationship and were asked to assess its value.

The rationale for choosing the food industry was threefold. Food manufacturing and distribution is an important industry as a major employer and exporter for New Zealand. Using land-based raw materials, it was likely that operational and strategic decisions were likely to be local as well. The third reason was that food manufacturers often source their raw materials from a number of independent suppliers and are therefore likely to have a variety of supply chain relationships to consider. The population was food manufacturers and distributors in the Central and Southern regions of New Zealand that were independent in their choice and management of buyer and supplier relationships. This operationalization of a strategic business unit (SBU) is consistent with the criteria for a firm to be defined as an SBU by Walker and Ruekert (1987). They suggest that the establishment of an SBU is a trade-off between a business unit "...large enough to afford and maintain critical resources and to operate on an efficient scale" (Walker & Ruekert, 1987, p 22), but not so large that its market scope is too broad or that it is unable to respond quickly to customer needs.

This research uses the Walker and Ruekert's (1987) criteria, defining an SBU as a business unit able to establish and maintain its own business relationships without input

from its corporate base. In addition, SBU's control their budgets. This SBU definition is essential, because it identifies business units that control their own purchasing and / or marketing decisions. SBU status can be argued, has significance for the establishment, maintenance and change of business relationships over time. For the purpose of this research, firms that controlled/owned their supplier and/or or were controlled/owned by a buyer and/or supplier were not included.

Through manufacturing associations and Yellow Pages listings, a total of 61 firms were found in Wellington and Christchurch. All of the firms were contacted, and 40 agreed to participate in an interview, a 65% response rate. SBU size varied from 990 employees to 2 employees, with a mean of 88.58 employees. The annual turnover of the SBUs ranged from 200,000 NZD to 750,000,000 NZD, with a mean of 32,281,276 NZD and a median of 3,000,000 NZD. The most senior person in the marketing department participated as the supplier's representative or the most senior purchasing officer participated as the buyer's representative. It was reasoned that these people would be the most likely to establish or influence relationships, relying on senior level respondents may, however, have introduced bias, in that lower level decision makers were excluded.

Measures

Respondents were given definitions of 4 relationship levels (Discrete, Repeated, Long Term, and Strategic Alliance) and were asked to identify one of the firms' relationships that fit a particular criterion. Once established, the respondent was asked to imagine a rival partner was proposing they should stop dealing with their current partner and work with the rival. As an incentive, the rival was willing to better their current partner's price to make the deal more attractive. Once the respondent understood the scenario, they were asked how much more attractive would the offer have to be to switch to the rival partner.

In this way, the respondents were assessing all of the tangible and intangible characteristics of the partner and converting it into a percentage discount (buyer) or premium (seller) on their current price. If the respondent was willing to switch without any premium, it was scored as 0, and if the partner was not willing to switch at any level of premium, it was scored as 100.

While this approach is unique in the valuation of relationships, it is based on a rich tradition of examining "willingness to switch" products and services in the area of consumer behaviour (Roos, Edvardsson & Gustafsson, 2004.)

From each of the 40 organizations, two interviews were carried out, for up to 4 different company relationships (Discrete, Repeated, Long Term, Strategic Alliance). While the sampling frame and interviews were at the firm level, the hypotheses and analysis is performed at the relationship level, so it could be argued that the data represents 160 different relationships.

One-way ANOVAs were used to establish whether the value of the relationship changed across relationship level. And Least Squared Difference (LSD) post-hoc analyses were used to identify significant differences across relationship levels. All of the hypotheses were analyzed using SPSS (Statistical Programme for Social Sciences), Version 12.

Data Analysis and Results

Results

Table 1:
One-way ANOVA for Buyers

Descriptives

% Value of Relationship

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
Discrete	40	1.85	2.815	.445	.95	2.75
Repeated	40	10.38	17.230	2.724	4.86	15.89
Long-term	39	29.67	26.224	4.199	21.17	38.17
Strategic Alliance	36	38.72	32.191	5.365	27.83	49.61
Total	155	19.61	26.410	2.121	15.42	23.80

ANOVA

% Value of Relationship

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	33122.410	3	11040.803	22.442	.000
Within Groups	74288.364	151	491.976		
Total	107410.774	154			

Table 2:

One-way ANOVA for Sellers - Descriptive Statistics

% Value of Relationship

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
Discrete	40	.85	2.940	.465	-.09	1.79
Repeated	39	5.28	7.398	1.185	2.88	7.68
Long-term	40	20.83	20.504	3.242	14.27	27.38
Strategic Alliance	38	26.76	26.987	4.378	17.89	35.63
Total	157	13.31	20.195	1.612	10.13	16.50

ANOVA

% Value of Relationship

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	17860.066	3	5953.355	19.905	.000
Within Groups	45759.641	153	299.083		
Total	63619.707	156			

Hypothesis one tested whether different levels of relationship will have different values for the buyer and the seller. The one-way ANOVA supported this hypothesis both for the Buyer (Table 1) and for the Seller (Table 2)

Table 3:**ANOVA Post-Hoc Tests for Buyers - Multiple Comparisons**

Dependent Variable: % Value of Relationship

LSD

(I) Relationship level	(J) Relationship level	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Upper	Lower
Discrete	Repeated	-8.525	4.960	.088	-18.32	1.27
	Long-term	-27.817(*)	4.991	.000	-37.68	-17.95
	Strategic Alliance	-36.872(*)	5.096	.000	-46.94	-26.80
Repeated	Discrete	8.525	4.960	.088	-1.27	18.32
	Long-term	-19.292(*)	4.991	.000	-29.15	-9.43
	Strategic Alliance	-28.347(*)	5.096	.000	-38.42	-18.28
Long-term	Discrete	27.817(*)	4.991	.000	17.95	37.68
	Repeated	19.292(*)	4.991	.000	9.43	29.15
	Strategic Alliance	-9.056	5.126	.079	-19.18	1.07
Strategic Alliance	Discrete	36.872(*)	5.096	.000	26.80	46.94
	Repeated Long-term	28.347(*)	5.096	.000	18.28	38.42
		9.056	5.126	.079	-1.07	19.18

* The mean difference is significant at the .05 level.

Table 4:**ANOVA Post-Hoc Tests for Sellers - Multiple Comparisons**

Dependent Variable: % Value of Relationship

LSD

(I) Relationship level	(J) Relationship level	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Upper	Lower
Discrete	Repeated	-4.432	3.892	.257	-12.12	3.26
	Long-term	-19.975(*)	3.867	.000	-27.61	-12.34
	Strategic Alliance	-25.913(*)	3.918	.000	-33.65	-18.17
Repeated	Discrete	4.432	3.892	.257	-3.26	12.12
	Long-term	-15.543(*)	3.892	.000	-23.23	-7.85
	Strategic Alliance	-21.481(*)	3.942	.000	-29.27	-13.69
Long-term	Discrete	19.975(*)	3.867	.000	12.34	27.61
	Repeated	15.543(*)	3.892	.000	7.85	23.23
	Strategic Alliance	-5.938	3.918	.132	-13.68	1.80
Strategic Alliance	Discrete	25.913(*)	3.918	.000	18.17	33.65
	Repeated Long-term	21.481(*)	3.942	.000	13.69	29.27
		5.938	3.918	.132	-1.80	13.68

* The mean difference is significant at the .05 level.

Hypothesis two tested whether increases in value related to increases in relationship level. For both Buyers and Sellers, Discrete and Repeated relationship levels were significantly different from Long-Term and Strategic Alliance but the differences between Discrete and Repeated or between Long-Term and Strategic Alliance were not found to be different.

The results indicate that different levels of relationship differed in terms of relationship value for both the buyer and the seller. The results also showed that the transactional relationships (discrete and repeated) were found to be less valued than the cooperative relationships (long-term and strategic alliance)

Discussion

The results of this study show that both the marketing and purchasing sides of organizations place more value on their more cooperative relationships and less value on more transactional ones. While the results support this broad distinction in relationship levels, Figures 2 and 3 shows the four relationship levels are ranked in the expected value order and the value differences between levels are not only statistically significant, but quite dramatic.

It seems that for discrete relationships, any incentive will attract the attention of both the Buyers and Sellers, but this result is not surprising. The organization has had very little to do with the discrete partner and they are an unknown quantity much like the new rival. With no preconceptions, even a slightly better price is more attractive.

The organization has begun to build a relationship with the Repeated partner. Several orders have been completed and perhaps there have been problems that have been solved, giving the organization a chance to get comfortable with the arrangement. This level of comfort was valued at around 10% price discount for the Buyers and a 5% price premium for the Buyers.

A large jump in value comes between the Repeated and the Long-Term relationships. This jump was statistically significant in both post-hoc analyses and at near 30% discount for buyers and 21% premium for sellers, it is financially significant as well. The Strategic Alliances had the highest value scores (although not significantly different from the Long-term) at 39% for Buyers and 27% for Sellers.

This research contributes to theory by establishing that buyers and sellers do value relationships differently, and therefore warrant attention to the relationship level in future buyer / seller relationship research. This finding validates Campbell's (1997) assertion that not every relationship results in mutual benefits, and that the relationship participants (buyer and seller) perceive relationships differently. Understanding the reasons why the seller values relationships differently from the buyer is an important question for future research.

While it could be argued that distilling the value of a relationship to a financial figure is an oversimplification, it was intended to be an important step in understanding how intangible value can be translated into accessible financial concepts that are known to drive organization decisions. As such, the "willingness to switch" approach represents a simple methodology that could translate other organizational concepts and/or values into financial terms that can be easily linked to organizational decisions and outcomes.

Finally, while switching behavior is an accepted part of supply chain relationships both up and downstream between business partners and potentially between B2C partnerships, it is pertinent to consider the influence of economic and financial drivers when determining relationship value. It is paradoxical that research in relationship value has progressed from its roots in simple economic and financial procedures to complex relational and behavioral theories which we have tried to encapsulate in an economic/financial construct which in itself is an attempt to capture often talked about intangible value of relationships.

Managerial Implications

As well as making several contributions to theory, this research provides meaningful contributions for managers. The managers that participated in the study had no problem converting intangible value components into a price premium/discount. Perhaps this was easy because it was consistent with their evaluation process or it mirrored actual decisions they had encountered. Nevertheless, a research process that is intuitive to manager's means that the results could also be easily interpreted and utilised by them.

The results show that managers value cooperative relationships and are willing to forego very attractive prices in order to keep the non-price value components. If researchers can help organizations ascertain what these valued components are and how they can be utilized, they can make themselves a highly valued partner to their buyers and suppliers.

Future Research

There are numerous directions research could take from this research. First, a more detailed understanding of relational value is needed. What aspects of the relationship are managers using for their assessments and how are they making the conversion into monetary value? As mentioned in the managerial implications, researchers and managers could benefit from determining what relational values best translate into monetary value.

Another area of inquiry is whether the results are artifacts of the food industry or of New Zealand business environment. Research in different industries and markets could help determine whether the methodology yields similar results.

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