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Evaluating the Health of a Relationship

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Abstract

This study recognizes the importance of connections in business-to-business marketing, and it aims to tackle the recurring difficulty of assessing the quality of each link. We use conjoint analysis and a sample of 40 business executives to learn more about this complex topic by zeroing in on the trust, needs fulfillment, supply chain integration, leadership, and financial benefit that come from productive B2B relationships. So far as we can determine, there is no one, all-encompassing description of what constitutes a healthy relationship. Instead, there are four various types of "good" relationships that may be formed by combining these five features in different ways.

INTRODUCTION

In the ever-expanding bodies of literature on B2B marketing, supply chain management, relational marketing, and customer relationship management, the concept of relationship quality gets less treatment. What traits distinguish good marriages distinct from harmful ones? What qualities do people in a relationship value the most? Why do partners in a relationship work so hard to keep things the way they are? For the sake of this research, we define "good" and "poor" connection quality more precisely. Understanding the worth of consumers and customer relationships is one of the most pressing and important management difficulties [1] of the modern day. To better understand what makes a relationship strong and how that strength may shift over time, we pose a critical research topic in this study. Although original research is lacking, certain authors have made significant contributions. However, they all employ different conceptual frameworks that are sometimes difficult to tell apart. Some authors discuss the value of their relationships or the successes they have shared in their works. There is some evident value to using these

sentences, but no proof of their construct validity. High-quality relationships are those that one or both parties can look back on and say they gained something from. People are interested in knowing, what, in general, creates a healthy connection. These individual contributions are briefly reevaluated. Gummesson [2] identified connection quality as the most important of the four dimensions of customer experience. For him, it was all about the quality of service delivered, arguing that "... high relational quality contributes to customer-perceived quality and thus enhances the chances for a long-term relationship." This quality perspective is now part of the larger Nordic School concept of service quality [for example, 3, 4]. Gale and Wood [1] and Ravald and Grönroos [5] emphasize that the value of a connection may go up if the benefit goes higher and down if the sacrifice goes down. Relationship quality in the context of service sales was studied by Crosby et al. [6]. They analyzed the causes and outcomes of unhealthy relationship variables.

As seen through the eyes of the buyer, a quality relationship has been established when the salesperson has successfully allayed their fears about the outcome of the transaction, creating an environment where "... the buyer can trust the salesperson's honesty and reliability and anticipates a high level of performance from the salesperson in the future because of the consistently high level of performance in the past." For this reason, we refer to this combination of trust and happiness as "relationship quality." The confidence a buyer feels in a vendor became the operative definition of trust. Nevertheless, Mohr and Spekman [7] suggest that further research is necessary since "... an understanding of the characteristics associated with partnership success is lacking." They argue, based on empirical study, that commitment, coordination, trust, good communication, involvement, and conflict resolution via shared problem solving are the primary features of any successful partnership. Partnership was the subject of their study; it was characterized as "... purposeful strategic relationships between independent firms who share compatible goals, strive for mutual benefit, and acknowledge a high level of mutual interdependence." They conducted their research based on responses from over 120 partners in the computer manufacturing and retailing industries. An objective indicator (sales volume moving between the dyadic partners) and an emotive measure (satisfaction of one party with the other) were utilized in their model to determine the success of the relationship.

Some of these concepts were expanded upon by Storbacka et al., [8], who created a conceptual model of the evolution of relational quality. Their central argument is predicated on the correlations between the following variables: customer profitability > relationship profitability > relationship profitability > customer profitability > service quality > customer satisfaction. Relationship strength is their indicator of relationship quality, and they comment that, "... there are obviously aspects of relationship strength other than customer satisfaction. These include, for example, the existence of bonds between the customer and provider. These bonds function as switching barriers beside customer satisfaction. Another dimension relates to the customer's (and the provider's) commitment to the relationship. Commitment might be based on customers' intentions and plans for the future."

Relationship strength, they observe, is reflected in both purchase behavior and communication behavior (e.g., word of mouth, complaints, etc.). Repeat purchase behavior based on positive commitment by the customer indicates a stronger relationship. Relationships in turn are strengthened by the

presence of bonds between the customer and the provider. Arguing from a conceptual basis, Wilson and Jantrania propose that successful business-to-business relationships are characterized by seven attributes: goal compatibility; trust; satisfaction; investments; structural bonds; social bonds; and the relative level of investment in alternative relationships. These are the "... glue which holds it [the relationship] together and allows it to develop." If goals are compatible, the companies will view joint action as mutually beneficial. Carruthers [10] also claims that for a "... relationship to be an effective collaborative effort, or partnership, there should be a high degree of goal congruence concerning the major issues between the parties." Trust, a construct common to this body of research on relationship quality, is widely thought to be associated with successful relationship development. Morgan and Hunt [11] argue that trust is the cornerstone of relationship commitment. Without it commitment flounders. Geyskens and Steenkamp [12] conclude that there is a consensus emerging that trust encompasses two essential elements: trust in the partner's honesty and trust in the partner's benevolence. Trust brings about a feeling of security, reduces uncertainty and creates a supportive environment. Morgan and Hunt's research [11] suggests that functional conflict and uncertainty arise from a lack of trust and conversely that cooperation between partners arises directly from relationship commitment and trust. Trust also enhances the willingness to collaborate further [13]. It seems logical to agree with the obvious premise that any dissatisfaction with the outcomes of an exchange process, whatever the underlying constructs of quality or value, will tend to precipitate dissolution of that relationship [9]. Based on this, it has long been thought that customer satisfaction was sufficient to promote customer retention. Other research, however, indicates two apparent paradoxes: satisfied customers may defect, and dissatisfied customers may remain loyal [14]. There has been recent evidence that a significant percentage of satisfied customers are not retained, taking their business elsewhere despite reporting their satisfaction with product, service and process. Reichheld [15] points out that 65-85% of recently defected customers claimed they were satisfied or very satisfied with their previous suppliers. Jones and Sasser [16] report that customers indicating 4 on a customer satisfaction scale (out of a possible maximum of 5) were six times more likely to defect than those scoring 5. Reichheld [17] reported that the repeat purchase rates of cars in the U.S. market remains in the 30-40% range though satisfaction has reached 90%. More recently, a financial services

firm found that 10% of those customers giving it the highest possible score in a satisfaction survey (rating it 10 out of 10) defected to arrival the following year [18]. There do appear to be a number of product and service categories (such as restaurants, vacations, wine, and some financial services) in which the impetus to try something new, driven by strong variety-seeking consumer motivation, is a more powerful force than the urge to stay loyal, driven by customer satisfaction. These special circumstances aside, it can still be argued that customer satisfaction is not a sufficient condition to bond customers to suppliers long-term. This position was endorsed in the context of supply-chain relationships by Wilson and Mummalaeni [19] when they described the developmental process of customer-supplier relationships. They suggested that commitment to a supplier came only when investments were made in the relationship, subsequent to satisfaction with the outcomes of their transactions. As they argue, “. . . investments in general, of course, are made into those relationships which are considered satisfactory. These investments might take the form of several adaptations in product and process areas . . . In addition to satisfaction, the quality of available alternatives as well as the level of investment determine the level of an organisation’s commitment to that relationship.” This perspective, of commitment versus satisfaction, was reinforced by Ulrich [20] who urged companies to strive to develop committed rather than just satisfied customers. He argues that “. . . satisfied customers are pleased, humoured and fulfilled; committed customers are dedicated and faithful . . . the totally committed customer says, ‘we have developed interdependencies, shared values and strategies to the extent that our separate needs can best be met through long-term devotion and loyalty to each other.’” When trust exists between partners, both are motivated to make investments in the relationship. These investments, which serve as exit barriers, may be either tangible (e.g., property) or intangible (e.g., knowledge). Such investments may or may not be retrievable when the relationship dissolves [19]. Wilson and Jantrania [9] also comment on the significance of strong social and structural bonds to successful relationship development. Social bonds are close personal relationships that exist between actors in partner organizations. Where these bonds are highly valued, they enhance the probability that the relationship between the actors will endure [21]. Structural bonds, such as mutual asset specific investments in product development, property and technology, make relationship dissolution both costly and difficult. Where structural bonds exist, they indicate that the parties are or have been committed to relationship

maintenance, effectively serving as exit barriers. Companies that form weak structural bonds to their supply-chain neighbors may be indicating that an alternative relationship is equally, or perhaps more, attractive.

Buttle [22] conducted observational research and interviews in a dozen supplier-customer contexts with a view to better understanding the nature of relationship quality. Examining the communication between these dyads, he addressed two questions relevant to this paper: Does it make sense to talk of relationship quality? What counts as a relationship of high or low quality? All the dyads studied were able to identify qualitative differences within their customer-supplier relationships. Having observed a number of episodes between supplier and customer, these were categorized as task-centered (e.g., paying invoices, placing an order, raising a query) and process-centered (e.g., joking, story-telling). He noted that the more asymmetric the relationship (unequal power/knowledge distribution), and/or the more mediated the relationship (communication by phone, fax), the more task-centered were the communication episodes. Communication episodes indicative of high quality in one context were construed as low quality in another. For example, rapid completion of an episode was highly valued by both parties in an Information Technology (IT) help desk context; but slow completion was highly valued, again by both parties, in a financial advisor context. It did appear that customers and suppliers were able to discriminate between relationship types and adjust their communication accordingly.

The different constructs underlying relationship quality that have been identified in the literature above are summarized in Table 1, in which we also indicate the constructs that we have used. Trust is included by almost all authors. We have categorized “needs fulfilment” as being similar to satisfaction and “supply chain integration” as being coordination, although we accept that it also overlaps with many of the other constructs in the table. The aspects of power and profit are more problematical as they do not easily relate to other constructs. We are especially cognisant of the fact that relationships may be profitable for both parties in a financial sense, and yet not offer less tangible or personal quality. Indeed, the opposite is also possible: dyadic relationships that both parties consider to offer quality in terms of being enjoyable, fulfilling or rewarding, and yet which do not yield financial profit. The same conclusion is drawn by Geyskens et al., [23] in their meta-analysis of satisfaction within channels, arguing that a distinction needs to be drawn between economic and non-economic satisfaction, both of which can lead independently to trust and commitment.

RESEARCH METHODOLOGY

Our sample consisted of a group of 40 middle to senior executives attending a management development course. The average age across the sample was 33 years, and they had been with their current companies for an average of six years. The respondents were asked to indicate what they thought to be the most important attributes of a good supply chain relationship of which they had experience. We did not specify the nature of the relationship, and they were encouraged to look either backward to their own suppliers, or forward to their customers. They were asked simply to write down these attributes, without any constraints as to structure or order. These responses were then collated, and five attributes were found to dominate the lists: trust; power; integration; mutual understanding of needs; and profit. We can see from Table 1 that two of the most commonly found attributes from the literature review (trust and satisfaction) were reflected in our sample. The third, coordination, was reported only by Mohr and Spekman [7]. However, there is clearly a lot of overlap between constructs such as commitment, coordination, communication, bonds, and goal congruence, and this remains an area for future clarification. As mentioned above, the two remaining constructs that we found to be present, power and profit, have not been explicitly reported in the literature reviewed.

Each of the five attributes was then specified at three different levels (essentially better than, the same, or worse than the current relationship). By using the process of factorial designs [24], 15 different combinations of these five different attributes and levels were used to draw up a questionnaire based on conjoint analysis [25]. This is an approach well suited to understanding how buyers trade off different features, and has been much used in industrial marketing (see, for example, [26]). Our interest in using this approach was to develop our understanding of how the various

constructs would be traded off against each other in different relationship settings and/or types. While other quantification techniques do exist that measure attribute or construct importance [27], conjoint analysis remains the best approach to understand how such trade-offs are made. A common problem with the approach is to ensure that the appropriate attributes are selected [26], which was overcome by getting the respondents to generate the initial attributes themselves, and then selecting only the most common among them. However, problems such as how the different attribute levels are anchored and the number of attribute levels to use remain problematical [see, for example, 25, 28]. The latter problem was largely dispensed with by the relatively low numbers of both attributes and levels that were used, while the former was effectively negated by anchoring each person's response in the middle of the scale (i.e., the same level of the attribute as currently experienced).

These questionnaires were then distributed to the same group of respondents as before. They were now asked to consider the same relationship that they had in mind before, and to rank order the 15 different alternatives from that which described the best possible way for the particular relationship to develop, through to the worst.

Analysis of the collected demographics indicated that respondents typically worked for Industrial Services, Raw Materials, or Manufacturing companies (nine, six, and five cases, accounting for 40% of the sample). Most considered supply chain relationships with similar kinds of companies (Financial Services Providers, Manufacturing, and Industrial Services accounted for 70% of the customers/suppliers considered). The average length of the relationship under consideration was 14 years (with range of two to 110 years!), and it typically involved an annual revenue of \$90 million per annum.

RESULTS

The overall results of the study are shown in Table 2. As can be seen, the two most important attributes to the respondents were that there

should be high trust in the relationship (29.64%), and yet also that the relationship

TABLE 2
The Overall Conjoint Analysis Results Showing Attribute Scores and Part-Worths

	Trust	Needs	Integration	Power	Profit
Importance (%)	29.64	20.14	12.79	11.97	25.46
Utilities:					
better	2.37	1.67	0.72	-0.03	2.30
the same	0.78	0.45	0.23	0.02	-0.15
worse	-3.15	-2.11	-0.95	0.01	-2.16

should yield a profit (25.46%). The overall results can be seen as being rational in that higher utilities are achieved by the "better" level of each attribute, apart from the case of power. However, this is the least important attribute to the whole sample, and we would interpret the fact that higher levels of power achieved a lower utility than lower levels as being the result of insufficient attention having been paid to it. The question that needs to be addressed next is the extent to which there is meaningful variation in the data. Are the results in Table 2 indicative of a general consensus among the managers concerned, or are there, in fact, different perspectives on what constitutes a good quality relationship? In order to answer this question, the data were subjected to two different forms of clustering. Figure 1 shows the output of a standard cluster analysis based on each individual's original rank ordering of the 15 alternatives. We can see, for example, that respondents 23 and 40, as well as 29 and 32, are very similar in their perspective. Respondent 30 (at the bottom of the figure), however, is very dissimilar to all the other respondents. Figure 2 shows the results of submitting the same data set to correspondence analysis, a perceptual mapping procedure [29, 30, 31]. We can see here that respondents 40 and 23 are plotted fairly close together, as are 29 and 32, as we would expect from Figure 1. In this case, the two axes account for 48% of the variation in the data, suggesting that there are more complicating underlying dimensions to

the least important attribute when filling out the questionnaire. The results indicate, therefore, that the most valuable relationship is seen as one in which trust, needs, integration and profit are all somewhat better than they currently are, but that power does not have a strong influence on perceived relationship quality.

the data, and hence the clusters shown in Figure 2 should be interpreted with some care. Respondent 30, for example, is closer to both 5 and 25 than Figure 1 would suggest. The output from these two approaches suggests that the data could be grouped into four different clusters. The first, shown at the top of Figure 1, would consist of all the respondents numbered from 23 through to 28. This group forms the largest sub-cluster, accounting for 23 of the 40 respondents. The second group lies largely to the left in Figure 2, and would consist of the 11 respondents labelled as 8 through to 26 in Figure 1. The final multiple-respondent cluster would be the four individuals (5, 39, 25, and 36) shown at the bottom of Figure 1/lower right of Figure 2. Finally, although interpretation of Figure 2 does not readily lead one to suggest this, interpretation of Figure 1 would suggest that individual 30 is treated as a cluster of one, with his/her profile being somewhat different to the rest. The overall results for each of these four segments is shown in Table 3.

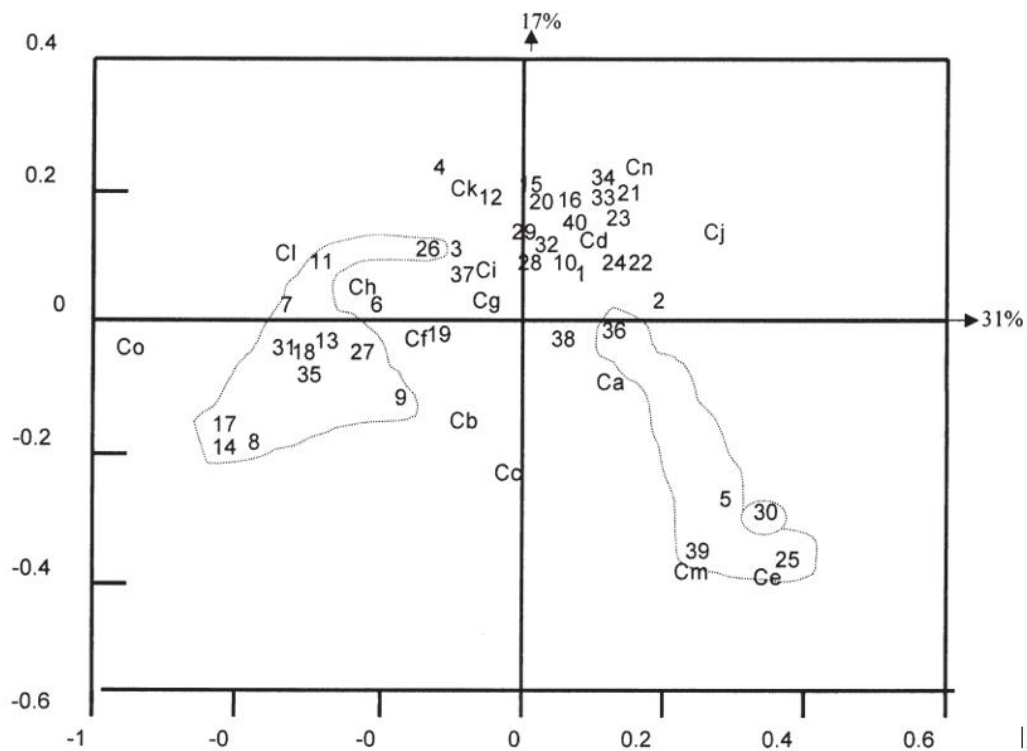


FIGURE 2 The different relationship types based on correspondence analysis.

The results from Table 3 suggest that there are indeed fundamentally different perceptions concerning just what determines quality in a supply chain relationship. Cluster 1 is the largest and hence has most influence on the overall figures in Table 2. These respondents regard trust and needs issues to be the most important, with profit being third. Integration and power are less

CONCLUSION

The core contribution of many researchers over the past two decades has been to identify the importance of relationships in business-to-business markets. However, defining just what

important to them than to any of the other four clusters. Cluster 2, on the other hand, is clearly profit oriented, with the remaining attributes all clearly of less importance. Cluster 3 is concerned with integration in the supply chain, and hence is logically also interested in issues surrounding trust. To the manager making up cluster 4,

managers regard as a good relationship is not an issue that has been studied in any depth. We believe our paper to be a start in developing our understanding of this important issue.

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