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# Collaborative buyer–supplier relationships and downstream information in marketing channels

Danny Pimentel Claro *, Priscila B. Oliveira Claro [1]

*Insper Institute of Education and Research, Rua Quatá, 300, Vila Olimpia, 04546-042 São Paulo, SP, Brazil*

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ABSTRACT

Research on buyer–supplier relationships has emphasized the importance of collaboration and business networks. We aim to study the effects of downstream information on the collaborative buyer–supplier relationship. Downstream information refers to the information a firm obtains from marketing channels, be they wholesalers, distributors or retailers. The approach allows firms to concentrate their efforts on the most relevant sources of information and not on the whole network. Survey data was gathered from the Dutch potted plant and flower industry to test this hypothesis. Our findings demonstrate that collaborative relationships are contingent on downstream information from both the buying perspective (wholesalers) and from the supplying perspective (producers).

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## 1. Introduction

Collaborative buyer–supplier relationships have been extensively studied in the literature (e.g. Batt & Purchase, 2004). Collaboration represents a departure from the discreteness that underlies spot-market transactions toward a more relational approach (Dyer & Singh, 1998). The complexity of any collaborative relationship requires safeguarding and coordinating mechanisms. In particular, research on safeguarding and coordinating collaborative relationships has emphasized the importance of information obtained from a firm's network of business contacts. There is evidence that the information from the network influences alliance performance (Baum, Calabrese, & Silverman, 2000), inter-organizational learning (Powell, Koput, & Smith-Doerr, 1996), collaborative relationships (Dyer, 1996), contract design (Antia & Frazier, 2001), commitment (Blankenburg, Eriksson, & Johanson, 1999) and flexibility (Wathne & Heide, 2004). However, a firm's network is a complex social structure that entails a costly web of contacts (Golfetto, Salle, Borghini, & Rinallo, 2007). Maintaining and exploring the information benefits of all contacts require a great deal of resources and time. Therefore, a firm may be concerned about the quality of the sources of information within its network of contacts.

In this paper, we aim to study the effects of downstream information on collaborative buyer–supplier relationships. Downstream information refers to the information obtained from a firm's marketing channels, be they wholesalers, distributors or retailers. Following the marketing channel and supply chain literatures, we develop a hypothesis to investigate the sources of information that influence the collaboration. The supply chain literature emphasizes the importance of integrated systems of product supply (Lambert & Cooper, 2000) while marketing channels literature emphasizes the integrated systems of product distribution channels. A manufacturer may obtain information from its upstream ties, its first or other upper tier suppliers. The manufacturer may also obtain information from its downstream ties, its wholesalers or retailers. We argue in this paper that the information from downstream ties is essential for collaborative buyer–supplier relationships. The downstream ties are located close to end consumers and can diligently communicate consumers' demands (Fournier & Mick, 1999). Once a manufacturer maintains close ties with retailers and distributors, the manufacturer obtains information about consumer reactions to its products. The manufacturer can quickly adapt production processes to improve the product mix and packing, for instance. Focusing on the downstream information allows firms to concentrate their efforts on the relevant sources and not on the whole network of business contacts. This is in line with Salancik's (1995) advice to avoid "not seeing the trees for the forest". We therefore argue that ties with downstream firms offer timely information that allows firms to collaborate further with a partner.

We test our hypothesis using survey data of companies' responses to a questionnaire about relationships. All respondents are producers and distributors, located in the Netherlands and their primary business is potted plants and flowers. The following section (2) of the paper introduces the matter of collaboration and after that Section 3 treats the matter of information from downstream sources. Section 4 presents the rationale of our hypothesis, and Section 5 describes the study domain and the constructs used in the statistical estimates. We end with Results, Discussions and Concluding remarks.

* Corresponding author. Tel.: +55 11 4504 2419.
*E-mail addresses:* danny@isp.edu.br (D. Pimentel Claro), priscilaboc@isp.edu.br (P.B. Oliveira Claro).
[1] Tel.: +55 11 4504 2419.

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## 2. Collaborative buyer–supplier relationships

Collaborating partners work together to achieve mutual goals (Anderson & Narus, 1990; Morgan & Hunt, 1994). In buyer–supplier relationships, organizational boundaries are penetrated by the integration of activities as the supplier becomes involved in activities that traditionally are considered the buyer's responsibility and vice-versa (Yilmaz & Hunt, 2001). In the literature, collaboration entails activities undertaken jointly rather than unilaterally (Heide, 1994; Zaheer & Venkatraman, 1995) as well as the flexibility to make adjustments (Bello & Gilliland, 1997; Noordewier, John, & Nevin, 1990).

Joint action comprises joint planning and joint problem solving. Joint planning refers to the collaborative activities by which future contingencies and consequential duties and responsibilities in a relationship are made explicit ex ante (Heide & John, 1990). It is an activity that operates as an aid or frame of reference rather than a strict specification of duties as in a contract. Plans represent frameworks within which subsequent adaptations (e.g., joint problem solving) can and are expected to be made (Macneil, 1981). When one partner's actions influence the ability of the other partner to compete effectively, the need for jointly set goals, long-term plans, responsibilities and expectations increases. Dwyer, Schurr and Oh (1987) suggest that the input provided in decision making and goal formulation is an important aspect of joint planning and improved planning performance. Joint planning then allows mutual expectations to be established and collaborative efforts to be specified at the outset.

Joint problem solving refers to joint activities to resolve disagreements, technical failures and other unexpected situations (Heide & Miner, 1992; Lush & Brown, 1996). It motivates firms to continue their relationship because it assures them of the ability to reach mutually satisfactory solutions (Calantone, Graham, & Mintu-Wimsatt, 1998). Firms often attempt to persuade each other to adopt a particular solution to a problem situation. In collaboration, these persuasive attempts are more constructive than coercive or dominative (Dwyer et al., 1987). Furthermore, integrative outcomes satisfy more fully the needs and concerns of parties in a business relationship (Mohr & Spekman, 1994).

Flexibility to make adjustments is the bilateral expectation of willingness to make adaptations in day-to-day management (Heide & John, 1990). The partners accept smooth alterations in practices and policies in the light of unforeseen or changing conditions. Flexibility is an essential relational norm (i.e., an expected pattern of behavior, Macneil, 1981), which establishes the ground rules for the initial and future exchanges (Heide & John, 1990). In short-term trade, flexibility is external to the relationship and is achieved by deliberately limiting the transaction's scope (Macneil, 1981). In a longer term relationship, however, flexibility is incorporated into processes and defines the bilateral expectation of willingness to make adaptations as circumstances change. From a supplier's perspective, it represents a guarantee that the relationship will be subject to good-faith modification if a particular practice proves detrimental in the light of changed circumstances.

The joint problem solving together with joint planning and flexibility in relation to adjustments are important elements of collaborative relationships and may be influenced by downstream information in marketing channels. Before developing our specific hypothesis, we will further discuss downstream information in marketing channels.

## 3. Downstream information in marketing channels

Researchers in marketing channels have moved beyond the dyadic level to look at the effects of the overall set of ties that bind firms together (e.g. Antia & Frazier, 2001; Golfetto et al., 2007; Wathne & Heide, 2004). The set of ties may both facilitate and constrain a firm's actions by guiding their interests and ability to take actions (Nohria & Eccles, 1992; Powell, 1990). Recent literature has emphasized the need for identification of specific ties within the network of contacts (Wuyts, Stremersch, Bulte, & Franses, 2004). Selecting ties and establishing their importance is critical, because there might be innumerable potential ties with different organizations (Ritter, 2000). Following Burt's (1980) suggestion to find a proper degree of actor aggregation to study networks and considering Salancik's (1995) warning about defining the sources of information, we defined the sources of information on the basis of their role as suppliers, wholesalers and retailers. This idea follows the concept of layers in net chain analysis (Lazzarini, Chaddad, & Cook, 2001). The layers are composed of horizontal ties between firms within a particular group which are sequentially arranged in the supply chain based on the vertical ties between firms in different layers. Following Lambert and Cooper (2000), the members of a supply chain include all firms with whom the focal firm interacts directly or indirectly through its suppliers or customers, from the point of origin to the point of consumption. The concept of information sources in a supply chain perspective is depicted in Fig. 1.

The focal firm A is the central unit for analyzing the impact of downstream information. It is from this firm's point of view that all other organizations are located. A firm may hold ties located upstream (e.g., input suppliers) and downstream (e.g., wholesalers and retailers) within the chain. The information firm A obtains from the downstream ties may influence collaboration with firm B. Gulati and Gargiulo (1999) argue that information passed through networks is ‘thicker’ than information obtained in the market and freer than that communicated in a hierarchy. The information may be about commercial matters (e.g. price formation, quality and quantity data), and proprietary and tacit types of information, such as how to improve production processes and logistics (Cunningham & Homse, 1986). The information is used as a source of reputation, contacts and referrals (Granovetter, 1985; Burt, 1997). Firms may also share expert interpretations of information (Uzzi, 1997). For example, specialized associations frequently release reports on the market, tendencies and trends. The interpretation and applicability of such information is even more important than the transmission of the report itself. The information then reflects the stock of expertise within a network of contacts that is not always written down or even formally expressed but may nevertheless be essential to a firm's effective operation.

## 4. Hypothesis

Previous research has found evidence that the network of contacts influences collaboration. Dyer (1996) studied the preferred supplier approach used by American and Japanese automobile manufacturers.

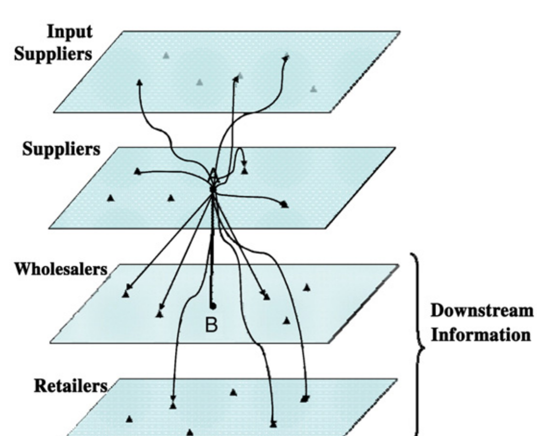


**Fig. 1.** Model for downstream information and buyer–supplier relationships (A to B).

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