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Creating value in retail buyer–vendor relationships: A service-centered model

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ABSTRACT

We present a "service-centered" model of retail buyer–vendor relationships, in which retail buyers' perceptions of a vendor's economic and social resources affect their assessments of relationship value and relationship outcomes. Economic resources offered at the organizational level of the vendor include brand equity and customer support activities (e.g., merchandising support and margin maintenance). Social resources offered at the individual level of the salesperson include special treatment and customer advocacy. Relationship outcomes include the buyer's intention to grow the business, and in the event of business termination, maintain the interpersonal relationship with the sales representative. Survey data from 532 retail buyers were collected and analyzed using structural equation modeling. The results show that relationship value mediates the effects of economic and social resources on relationship outcomes. However, the process by which this occurs varies.

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1. Introduction

Marketing relationships are the subject of a well-established stream of research in business-to-business and service marketing (Grönroos, 1989, Palmatier, Dant, Grewal, & Evans, 2006). As this stream of research has grown, the service-dominant logic (SDL), a new marketing paradigm focused on the exchange of intangibles, has emerged to "refocus" the traditional goods-dominant model of relational exchange (Vargo & Lusch, 2004). The contribution of SDL to marketing theory has been the subject of extensive debate. As a new paradigm, it is considered "pre-theoretic," and ripe for empirical testing (Lusch & Vargo, 2011). The purpose of our research is to contribute to the process of theory building, by proposing and testing an SDL-inspired model of buyer–seller relationships. While the foundation of our model is SDL, we have integrated concepts from research based in other paradigms, including social exchange and relationship marketing theories. We test our model in the particular context of retail buyers' relationships with their vendors.

Our major objective is to contribute to the understanding of how the economic and social resources in vendors' value propositions affect buyers' perceptions of relationship value, as well as their relationship intentions. By that, we aim to contribute to the development of SDL in a business-to-business context and to value as a driver within business-to-business relationships. In particular, our research contributes in the following ways. First, we analyze the economic and social processes that SDL posits to facilitate creation of relationship value. To our knowledge, this is the first attempt to do so. In our model, relationships play out at two levels, the organizational level, at which the exchange of economic resources occurs, and the individual level, at which the exchange of social resources occurs (Palmatier et al., 2006). This bi-level analysis allows us to tease apart the effects of economic and social resources on the buyer's perception of relationship value, and on the buyer's intentions regarding the economic outcome of business growth and the social outcome of relationship maintenance.

Second, we evaluate the effect of brand equity, an economic resource offered to buyers by vendors, on relationship value and growth. In our research, brand equity is an economic resource offered at the organizational-level by the vendor to the retailer. While SDL positions a firm's offer of brand equity as "vital" to the customer's perception of value and relationship performance, there is no research to substantiate its importance. Our findings provide insight into the importance of brand equity, relative to other economic and social resources, in the relationship between the vendor and the retailer. We also shed light on the process by which brand equity drives (or doesn't drive) the retailer's business growth intention.

Third, we delve into the role of the sales representative in creating relationship value and driving "stickiness" in relationships between vendors and retailers. Sheth and Sharma (2008) call for more research in this area, contending that as the economy has shifted from products to services, sales representatives have become more customer and service-focused. To that end, we explore the effects of special treatment

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and customer advocacy (Sharma, 2001), two resources offered by sales representatives, on buyers' perceptions of relationship value and relationship maintenance intentions.

Fourth, we extend SDL's strategic focus to include "post-termination" interaction between the sales representative and the buyer. Post-termination behavior has received very little attention in marketing research. However, Weitz and Jap (1995) suggest that theories of and research on interpersonal relationships may be applicable to research on inter-organizational relationships. Research on interpersonal (Busboom, Collins, Givertz, & Levin, 2002) relationships reveals that social interaction between partners may continue beyond the formal end of a relationship. As the retail industry becomes more concentrated, there are not only fewer retailers, but also fewer vendors to serve them. Thus, buyers may maintain contact with a portfolio of "terminated" vendors as a hedging strategy, to ensure that they are positioned to resume business with vendors in the event their offerings become attractive again. Thus, we explore the role of the social resources offered by the sales representative in driving relationship value and relationship maintenance intentions.

Finally, we highlight the mediating role of value in relationships. In SDL, value is considered the "locus" of relationships implying that value may reduce or enhance the effect of a vendor's resources on relationship outcomes. However, there is little evidence that the mediating role of value has been tested in either an SDL framework or in relationship marketing research. With its focus on relationship benefits, value has the potential to be a comprehensive mediator that captures the essence of a relationship (Palmatier et al., 2006).

The remainder of this article is organized as follows. We start by presenting the conceptual framework for our service-centered model of retail buyer–vendor relationships; in the process, we review the relevant literature, cite some of the findings from preliminary depth interviews of retail buyers, and state our hypotheses. We then explain our research methodology, including the interview process, questionnaire development, and survey procedure. We follow with the results of our structural equation analysis. Finally, we discuss our results, explore their implications for scholarship and practice, and propose ideas for future research.

2. The service-centered model

The service-centered model is depicted in Fig. 1. Its main conceptual foundation is the service dominant logic (SDL) proposed in the seminal work of Vargo and Lusch (2004; 2008). The model's empirical basis is a qualitative study in which we interviewed retail buyers to identify resources their vendors offer that they viewed as valuable. We test this conceptually- and empirically-grounded model in the context of a survey-based quantitative study.

SDL is a marketing paradigm that assumes buyers and sellers exchange resources in relationships that are service-centered and oriented towards co-creating value (Vargo & Lusch, 2004, 2008). It also assumes that in relationships customers are the arbiters of value. Thus, our model is taken from the perspective of the "customer," the retail buyer who is the vendor's primary contact in the retail firm. In this role, the retail buyer judges a relationship on both the organizational level and the individual level in terms of a) the effects of economic and social resource offerings, b) its overall value, and c) its potential economic and social outcomes (Vargo & Lusch, 2004). A relationship is an ongoing series of exchanges, with the intention to continue.

2.1. The vendor's resources

In our model, the vendor's resources are offered at two levels, the organizational level and the individual level. Resources are defined as

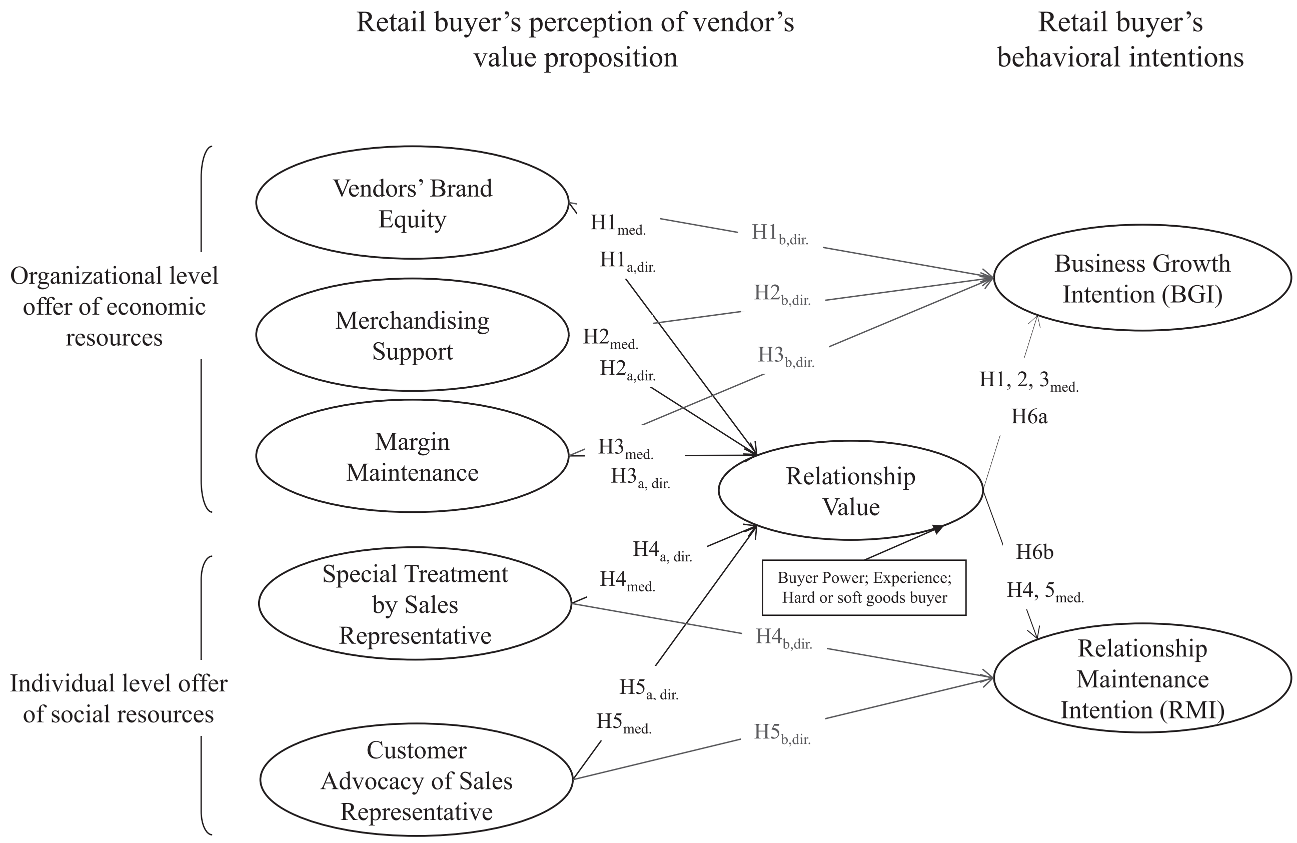
Retail buyer's perception of vendor's value proposition
Retail buyer's behavioral intentions
Organizational level offer of economic resources
Vendors' Brand Equity
Merchandising Support
Margin Maintenance
Individual level offer of social resources
Special Treatment by Sales Representative
Customer Advocacy of Sales Representative
H1med.
H1a,dir.
H1b,dir.
H2med.
H2a,dir.
H2b,dir.
H3med.
H3a, dir.
H3b,dir.
H4a, dir.
H4med.
H4b,dir.
H5a, dir.
H5med.
H5b,dir.
Relationship Value
Buyer Power; Experience; Hard or soft goods buyer
Business Growth Intention (BGI)
H1, 2, 3med.
H6a
H6b
H4, 5med.
Relationship Maintenance Intention (RMI)

Fig. 1. Conceptual model.

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