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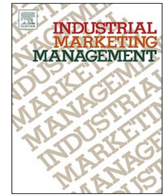

Target and position article

The contingency value of the partner firm's customer assets in a business-to-business relationship

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ABSTRACT

Customer assets in the form of highly satisfied customers are valuable resources that a firm can use to improve its competitive advantage. While prior research has focused on a firm's own customers, this study investigates the partner firm's customer assets in business-to-business relationships. We argue that the partner firm's satisfied customers are a double-edged sword that may promote or hurt the focal firm's performance. An analysis of newly initiated marketing alliances from 1995 to 2009 supports our argument.

Our further analyses suggest important moderators that determine the value of the partner's satisfied customers. Specifically, we demonstrate that partner's customer satisfaction generates more positive returns when the marketing alliance is extended to include research and development activities. When the level of product market relatedness is too high or low, the partner's satisfied customers reduce the focal firm's returns. Also, the partner's satisfied customers are more beneficial in a slowly growing market than in a fast growing market. This study extends the scope of interfirm relationship research by looking at business-to-business relationships as an important route by which to access the partner's customer assets. Our contingency framework provides guidance on how firms can build effectively on an external source of satisfied customers.

1. Introduction

Firms increasingly rely on business-to-business (B2B) relationships to gain resources and capabilities (Zaefarian, Henneberg, & Naude, 2011). Although prior research has examined various types of resources and capabilities being obtained and used through interfirm relationships (Das & Teng, 2000; Donaldson & O'Toole, 2007; Zaefarian et al., 2011), little is known about the partner firm's customer assets as externally gained resources and capabilities, in particular, how they affect the focal firm's performance. In this study, the *focal firm* means the recipient of resources (e.g., customer assets), and the *partner firm* means the provider of these resources in the context of a B2B relationship.

Highly satisfied customers, as a specific form of customer assets, are getting more attention from marketing scholars and practitioners as critical firm resources that facilitate various marketing activities, such as sales, promotion, or distribution of products (Auh & Shih, 2005; Flint, Blocker, & Boutin, 2011). Customer satisfaction boosts the repurchase intention of the current product and strengthens customer loyalty to the current vendors (Guo, Xiao, & Tang, 2009; Olsen, 2002; Walsh, Evanschitzky, & Wunderlich, 2008). Satisfied customers are valuable assets that add to a firm's competitive advantage in the market. They enhance the size and growth of the firm's cash flow and ultimately contribute to its shareholder value (Anderson, Fornell, & Mazvancheryl, 2004; Gruca & Rego, 2005; Peng, Lai, Chen, & Wei, 2015).

However, prior research has also highlighted the challenges associated with creating and managing satisfied customers, which require substantial amount of investment from firms in terms of time and resources (Colgate & Danaher, 2000; Keller, 1993). Rather than exerting efforts in building the firm's own satisfied customers internally, B2B relationships, such as strategic alliances for marketing activities, are becoming an important means to obtain valuable customer resources and capabilities externally (Samiee, 2008). A *marketing alliance* (or a strategic alliance for marketing) refers to a formalized, collaborative arrangement between two or more firms that focuses on the marketing activities for the purpose of enhancing firm value (Das, Sen, & Sengupta, 1998). A marketing alliance by Samsung and AOL Time Warner in 2001 gives a clear illustration. They launched a joint marketing program and conducted an integrated marketing campaign for AOLTV set-top box. AOL intended to promote Samsung products by using AOL Time Warner's print, TV, and online brands and thus Samsung could easily expand its market into North America

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(AdvertisingAge, 2001).

Compared to previous research that emphasized the value of the focal firm's own satisfied customers, little is known about marketing alliances as an avenue to access and leverage the partner firm's satisfied customers. Given the importance of customer satisfaction as well as marketing alliances in implementing a firm's marketing strategies, the current study focuses on business-to-business relationships, especially marketing alliances as an essential route by which a firm can secure the value of satisfied customers from external sources.

We propose that the partner firm's satisfied customers are not always beneficial to the focal firm. It serves as a double-edged sword that could either promote or hurt the focal firm's performance. Regarding them as an extended pool of target customers, a firm can utilize its partner's satisfied customers for its own marketing activities, such as facilitating sales, distribution, or promotion. A favorable connection between the two companies via a marketing alliance helps the focal firm utilize the loyalty and word of mouth of its partner's customers to increase its own sales volume and profitability. As such, the partner's satisfied customers augment the focal firm's marketing activities, offering potential new superior value propositions. However, a partner firm's satisfied customers can also be detrimental to the focal firm by serving as a basis for competitive value appropriation between the two firms. Even though firms cooperate for joint value creation, they tend to compete for a greater share of such jointly created values (Adegbesan & Higgins, 2010; Kalaignanam, Shankar, & Varadarajan, 2007). The partner firm having a larger number of highly satisfied customers may claim a greater share of outcomes of the joint efforts with the focal firm, thus hurting the performance of the focal firm.

Given these contrasting aspects of partner's satisfied customers, it is of paramount importance to understand the boundary conditions under which the partner's satisfied customers contribute to or hurt focal firm's returns in a marketing alliance. We therefore develop a contingency framework to investigate the value of the partner's satisfied customers to the focal firm. As firms form alliances with an aim to obtain and utilize external resources from their partners, we focused on the contingency variables that characterize the effectiveness of partner's customer assets and the need for such resources in different external environments. We maintain that these variables affect the focal firm's performance resulting from the partner's satisfied customers.

We collected secondary data from multiple sources, including the SDC Platinum (Securities Data Company Platinum), CRSP (Center for Research in Security Prices), Compustat, and ACSI (American Customer Satisfaction Index) databases. We used an event study methodology to measure abnormal stock returns associated with the announcement of a new marketing alliance. Stock market returns provide a forward-looking metric of the future outcomes expected from the event and have been widely adopted for alliance studies (Kalaignanam et al., 2007; Swaminathan & Moorman, 2009). An analysis of 183 marketing alliances across industries from 1995 to 2009 shows that some contingent factors influence the effect of the partner's customers on the focal firm's abnormal stock returns.

We have found that the partner's customer satisfaction generates more positive returns for the focal firm when the marketing alliance includes research and development (R&D), which is in line with our argument that partner's highly satisfied customer assets can be an input for R&D activities of the focal firm and thus enhance value creation. Our results also indicate that partner's satisfied customers lower the focal firm's return when product market relatedness is too high or too low. With a very low relatedness, the partner's customers become less relevant to the focal firm's markets, limiting the usefulness of partner's satisfied customers for value creation. On the other hand, if the two firms' markets are related too closely, then they may face possible substitution between their products, hurting the focal firm's returns (Mizik & Jacobson, 2003). We also highlight the role of the market environment surrounding the focal firm that affects the value of partner's satisfied customers. The results show that partner firm's satisfied customers are more beneficial in slowly growing markets because customer retention, which includes the partner's current customers, is more emphasized under a stable market condition (Stanko & Olleros, 2013).

Our study contributes to the industrial marketing literature in three ways. First, it offers a unique contribution to business-to-business research by looking at the linkage between business-to-business (B2B) and business-to-consumer (B2C) relationships. We focus on the focal firm's interfirm relationships with partners (B2B), in which partners have B2C relationships measured by ACSI data. As such, by putting together B2C and B2B relationships, our study presents a more comprehensive understanding of value chain, from individual consumers to business partners and to the focal firm. Articulating the effects of B2C relationships on the outcomes of B2B relationships, this study reveals how B2B and B2C relationships are intertwined in the value chain. The findings of this study highlight the importance of the partners' B2C relationships as determinants of B2B relationship outcomes.

Second, this study confirms that forming a marketing alliance with a partner that has highly satisfied customers does not necessarily lead to greater returns to the focal firm. We note that a major challenge for the focal firm in B2B relationships is to make this partner's customer assets effective in creating the firm's own value. Our contingency framework further suggests the ways to overcome this challenge using alliance characteristics and the surroundings market environment of the firm. Third, our study contributes to the marketing alliance literature by introducing a new aspect of alliance resources that increases the firm's financial market value. Compared to previous research that emphasizes partner firm's marketing activities or technological resources, we highlight the importance of alliance partner's customer satisfaction that helps to increase the focal firm's market value.

2. Theoretical background

2.1. Satisfied customers as marketing assets

The resource-based view posits that resource heterogeneity and its immobility across firms are critical determinants of differential firm performance (Barney, 1991). In particular, the general belief in the field of marketing is that satisfied customers are the essential resources underlying the value of a firm's customer related assets, and that these customers lead to positive business outcomes (Fornell, Mithas, Morgeson, & Krishnan, 2006; O'Sullivan & McCallig, 2012; Rollins, Bellenger, & Johnston, 2012). Previous studies have validated the importance of satisfied customers from various perspectives. For instance, customer satisfaction is a key antecedent to positive customer behavior, such as customer loyalty, repurchase behavior, and positive word of mouth (Dong, Ding, Grewal, & Zhao, 2011; Guo et al., 2009; Walsh et al., 2008). Customer loyalty insulates firms from competitors and reduces uncertainty and the volatility of cash flow (O'Sullivan, Hutchinson, & O'Connell, 2009; Tuli & Bharadwaj, 2009). Furthermore, these benefits of satisfied customers improve the efficiency of future marketing investments and the productivity of employees (Anderson, Fornell, & Rust, 1997). Satisfied customers ultimately contribute to a firm's long-term financial performance and shareholder value (Peng et al., 2015; Torres & Tribó, 2011; Van Doorn, Leeflang, & Tijs, 2013). Therefore, securing and managing valuable customers is an essential part of a firm's marketing strategy. Accordingly, firms invest their marketing resources into various areas of strategic communications such as advertising, distribution channels, and sales promotions, to establish and maintain close relationships with customers (Bolton, Lemon, & Verhoef, 2004).

However, prior research has also highlighted the challenges associated with creating and managing satisfied customers (Colgate & Danaher, 2000). A substantial investment in terms of time and resources is required to develop customer relationships. For instance, Keller (1993) and Colgate and Danaher (2000) noted that customer

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