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The impact of channel function performance on buyer–seller relationships in marketing channels

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Abstract

This paper addresses the question of how distributors' channel function performance affects their relationships with organizational customers and how the impact of these actions on relationship quality is influenced by the interdependence structure of the relationship. We test our hypotheses using survey data collected from informants in the Netherlands and Belgium. Our primary finding is that the level of channel function performance by a distributor is a significant driver of customer perceptions of relationship quality. This relationship is moderated by the interdependence structure of the customer–distributor dyad, both in terms of total interdependence as well as relative customer dependence.

Keywords: Channel services; Channel functions; Channel management; Buyer–seller relationships; Relationship marketing

1. Introduction

High-quality relationships with customers are important for distributors because they result in increased customer retention, act as a source of new leads and ideas, and facilitate operational planning. Additionally, increases in the quality of relationships with customers yield positive externalities for the distributor, e.g., a strengthened position for dealing with upstream suppliers. This paper addresses the question of how the performance of channel functions by distributors affects the quality of their relationships with their organizational customers (as perceived by these customers) and how this impact is moderated by the interdependence structure in these relationships.

Heide and John (1988) found that intermediaries who bonded more closely with their customers became less dependent on their suppliers and improved their financial performance. They view an agent's offsetting specific investments in key customers as a device for strengthening customer bonds and increasing their switching costs, thereby safeguarding the agent's specific assets in its exchange relationships with manufacturers. We believe that it is possible for intermediaries to achieve these benefits without necessarily making specific investments. How should

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an intermediary go about strengthening bonds and improving the quality of its relationship with its customers? Should the intermediary undertake these relationship quality-enhancing actions for all customers and relationships or selectively target a subset of customers? In the event of the latter being the appropriate course of action, which customers should be targeted? These are some of the key questions we address in our study.

The marketing channel literature has paid extensive attention to factors that affect relationships between buyers and sellers (e.g., Dwyer, Schurr, & Oh, 1987). For example, research on relationship quality has focused on the impact of the interdependence structure of the relationship on its quality (e.g. Brown, Lusch, & Nicholson, 1995; Gundlach, & Cadotte, 1994; Kumar, Scheer, & Steenkamp, 1995, 1998). Although the interdependence structure influences the quality of the relationship, Kumar et al. (1995) and Li and Dant (2001) found this effect to be relatively small. This suggests a need to identify other antecedents of relationship quality. We focus on the role of channel services and functions performed by the distributor for its customers. We report the results of a study of 317 industrial distributor–organizational customer relationships. In our study, we take the perspective of the organizational customer (i.e., a professional painting services provider) and its relationship with its most important supplying industrial distributor. In the remainder of the paper, we first present theory and hypotheses with respect to the impact of channel function performance and interdependence structure on relationship quality. We then describe our data collection and construct development procedures. Subsequently, we present our results. We conclude our paper with a discussion of our findings and their implications.

2. Theory and hypotheses

The relationship marketing literature describes a continuum of relationships ranging from discrete transactions to relational exchanges (Dwyer et al., 1987; Noordewier, John, & Nevin, 1990). Long-term, high-quality relationships, characterized by frequent interactions between different members of a distribution channel, offer advantages for both sellers and buyers. For sellers, they offer the benefits of creating exit barriers for their customers, leveraging limited resources through joint efforts with customers, gaining benefits from customer ideas and experiences (Anderson & Narus, 1991), and improving capacity planning (Han, Wilson, & Dant, 1993). For the customer, a long-term relationship with a supplier reduces stress and risks, solves initial problems, and leads to the accommodation of special needs. The customer learns what to expect and the reliability of supply increases (Han et al., 1993).

Although there is no general consensus on the definition of relationship quality, extant research has found high levels of satisfaction, trust, and commitment, and low levels of conflict to be important characteristics of long-term, high-quality relationships (e.g., Jap & Ganesan, 2000; Morgan & Hunt, 1994). In fact, a number of recent empirical studies have viewed relationship quality as a combination of some or all of these constructs (e.g., Hibbard, Kumar, & Stern, 2001; Jap, 2001; Kumar et al., 1995). In keeping with this approach, we view relationship quality as a higher-order construct composed of satisfaction, commitment, trust, and conflict.

Satisfaction is typically defined as "a positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm" (Geyskens, Steenkamp, & Kumar, 1999, p. 224). Satisfaction plays an important role in relationships and has been found to be instrumental in increasing cooperation between channel partners, and leading to fewer terminations of relationships (Ganesan, 1994).

Trust is widely recognized as a key dimension of relationship quality (Geyskens, Steenkamp, & Kumar, 1998; Morgan & Hunt, 1994). It reduces decision-making uncertainty and enhances cooperation (Morgan & Hunt, 1994), continuity (Anderson & Weitz, 1989), and long-term orientation (Ganesan, 1994) in the relationship. A frequently used definition of trust is the perceived credibility and benevolence of the partner (Ganesan, 1994; Kumar et al., 1995). Trust in the partner's credibility is the belief that the partner stands by its word, fulfills promised role obligations, and is sincere. Trust in the partner's benevolence is the belief that the partner is interested in the firm's welfare and will not take unexpected actions that will negatively affect the firm (Kumar et al., 1995).