Research Article

Relationship Marketing Key Concepts as Relationship Value Determinant

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Abstract

Although the literature about association between relationship marketing key elements and relationship value concept in Business to Business (B to B) context is condensed, it remains fairly fragmented. An empirical validation of a model presenting the impact of the first concept on the second one was conducted through a survey considering 292 purchasing managers of the electronic subcontracting sector in France. This research presents a contribution since it suggests ways of improvement for researchers and managers seeking to improve the value of relationships in B to B context.

Keywords: B to B, Relationship Marketing, Relationship Value (direct and indirect).
Introduction

Researches on value creation in industrial context were largely conceptual (Ulaga and Eggert, 2002). Recognizing the importance of this aspect, researchers and managers are in constant look for means permitting value creation and relationship maintain with their partners which is none other than the relationship marketing designation. What confirms the importance of understanding relationship and especially to identify key concepts for creating and maintaining the value of the relationships designated by relationship value concept in this research.

The interaction of relationship marketing key concepts and relationship value one has been the subject of a significant
number of research. Walter and al (2000) and Ulaga and Eggert (2006) have tried, through their empirical researches, to study the link between relationship value with satisfaction, trust and commitment. However, these researchers did not separate the two dimensions of relationship value (direct and indirect). In another research, Walter and Ritter (2003) have partially mitigated the previous limit by studying the effect of commitment, as well as trust on both direct and indirect relationship value dimensions.

Referring to this consisting whereas fragmented corpus of studies, we will try to fill these gaps, at least partially, in this research. This would improve our understanding of relationship marketing key elements interactions and their effect on relationship value concept. On the managerial level, this would
suggest some improvement ways for managers searching high valued relationships (Matri Ben Jemaa and Tournois, 2009).

Therefore, our central research question will be as follows:

To what extent key relationship marketing concepts affect (direct and indirect) relationship value concept in B to B context.

**Literature Review**

**Relationship Marketing B to B Context**

Relationship marketing concept has emerged in the marketing literature from the 70s. This concept is an expansion of marketing concept in order to take into account the evolution of the markets, where the notion of punctual transaction began to
give the way to a more relational approach. This new approach comes from the interest of exchange parties to continue the relationship in time (Dampérat 2007). There is no agreement among researchers on the definition of relationship marketing (Copulsky and Wolf, 1990). However, there is a consensus on the willing to set up and preserve a valued relationship (Weitz and Jap, 1995). Accordingly, Morgan and Hunt (1994) define relationship marketing by the maintenance and development of successful relationships with clients on the long run (Matri Ben Jemaa, 2011).

Several models have been developed to enrich the knowledge inherent to this concept including for example Hutt and Speh (1998) research, which presents a continuum from pure transaction to a strategic alliance. In this continuum, pure
transactional exchange refers to the exchange of commodities according to market prices. While, the pure collaborative exchange refers to the process where a client and a supplier form economic, social and technical bonds over years, in order to reduce costs and increase the value and mutual benefits (Anderson and Narus, 1991).

Some authors started talking about the transactional approach and the relational approach. The model of Webster (1992) thus, appears to be richer than the previous model since he added two other types of relationships: networked organizations and the vertical integration. Thus, transactional approach includes specific and repetitive transactions. While, the relational approach begins from long-term relationships to vertical absorption (Abbad, 2007).
The transactional approach considers the price as a central element of the exchange. At this level, all other less tangible aspects such as trust and commitment in the relationship are more or less ignored. In contrast, the relational approach main objective is to attract, but also retain the client (Crié, 2002). In fact and according to many researchers, acquiring a new customer costs are much greater than the costs of its maintaining (Tournois, 2004; Matri Ben Jemaa, 2011).

**Relationship Marketing Key Concepts**

Several researchers have studied relationship marketing key concepts in the 1990s, which gives result of a list of multiple elements (Abbad, 2007). Several authors have tried to gather some of these concepts in a conceptual model; the used concepts
depended, of course, of research’s field and context. Thus, Morgan and Hunt (1994) as well as Wilson (1995) were able to develop models incorporating the key concepts involved in relationship definition. Table 1 below presents a reading of research on the key elements defining the B to B relationship.

Please see Table 1 in the PDF version.

Key elements of successful relationships are so numerous. We note that some elements have been frequently studied by various researchers like trust, communication, satisfaction as well as commitment (Morgan and Hunt, 1994; Wilson, 1995; Hunt and al, 2006). Indeed, Morgan and Hunt (1994) highlight trust, communication as well as commitment importance by stating that these factors lead to cooperative strategies that ensure the
success of relationship marketing. These authors have also tried to represent these concepts, among others, in their KMV model (key mediating variable model) (Abbad, 2007). Cooperation, adaptation and performance are also commonly reported in the literature (Ritter and Walter, 2006). Other elements, while important, are not very frequently mentioned, it is for example the shared values, uncertainty and collaboration. It should be noted, nevertheless, that this list is not exhaustive. For our research, we will retain the three most frequently cited concepts in the literature due, in one hand, to their importance in relationship marketing models and in other hand, also their determining effect relationship value (see the following development). Therefore, we will retain satisfaction concept that is simply the result of a sum of experiences taking place during the exchange parties’ interaction (Georges Decock and Good,
Then trust concept that could be defined as ‘the perceived credibility and benevolence of a person or an organization trust’s target’ (Doney and Cannon, 1997) and finally, commitment concept that is the customer willing to make necessary efforts to maintain sustainable and valued relationships (Morgan and Hunt, 1994).

**Relationship Value**

*Perceived value by a customer is defined "as a trade-off between the benefits (what is received), and the costs incurred or sacrifices (what is given) in a relationship between two parties"* (Ulaga and Eggert, 2002, Ulaga and Eggert, 2006).
In B to B context, this ratio is quite complex because it takes into account many aspects for both benefits and sacrifices. Indeed, companies are, in one hand, searching for benefits, to do this they intervene on services related to purchasing orders or on these orders management. On other hand, these same companies are also seeking to reduce the sacrifices by either reducing the price or internal costs. The value concept is so designated by the relationship value in B to B context (Ulaga and Eggert, 2003, Walter and Ritter, 2003, Liu and al, 2008; Matri Ben Jemaa, 2011).

The marketing literature has proposed several ways to decompose the relationship value dimensions in B to B context. Anderson and al (1993) admit two dimensions: profit and sacrifice dimensions. The first dimension is divided into four
components: economic benefits, technical benefits, benefits related to services and social benefits. For cons, the dimension of sacrifice refers only to the price paid to the supplier.

Furthermore, Walter and Ritter (2003) state that business relationships are related to direct or indirect economic objectives realization (Anderson and al, 1994; Walter and al, 2000). These authors decompose relationship value in two dimensions, one refers to direct functions (immediate value creation) and the other to indirect functions (future or secondary) (Matri Ben Jemaa, 2013).

Walter and Ritter (2003) highlighted the difference between these two dimensions named by function as follows:
• Direct Functions

- **Profit function** it is direct profit related to a product or a service.
- **Volume function** refers to business volume generated by the relationship.
- **Safeguard function** refers to business volume guarantee and revenue throughout arrangements between customers and suppliers.

• Indirect Functions

- **Innovation function** is the cooperation to innovate a product or a process related to a specific customer and supplier relationship.
- **Market function** refers to new project gain possibility.

- **Recognition function** refers to information on markets potential development.

- **Access function** refers to the gains generated by relevant stakeholders or third parties access.

The above development has allowed a better understanding of relationship value in B to B context. We propose thus, to approach the relationship value construct as a cognitive one that refers to performance evaluation as performed by customers evaluating a relationship with a supplier. To do this, we will
adopt Walter and Ritter (2003) and Liu and al (2008) approach, while distinguishing direct and indirect functions of relationship value concept as their research field is close to ours (B to B relationships).

**Relationship Marketing Key Concepts and Relationship Value**

In order to understand the association between relationship marketing and relationship value, this research suggests to explore the interactions between relationship marketing key concepts mentioned above (satisfaction, trust and commitment: the most frequently arised concepts through our literature review) and (direct and indirect) relationship value concept.
Trust and Relationship Value

Authors are not unanimous regarding the relationship between trust and relationship value. Indeed, some of them suggest that relationship value determines trust (Ulaga and Eggert, 2006). Others, by cons, assume that trust determines relationship value (Walter and al, 2000). According to this approach (that we are adopting because we seek to determine the effect of trust on relationship value) trust in the trading partner integrity, increases the perceived relationship value (Morgan and Hunt, 1994).

To better understand the link between trust and direct and indirect relationship value, a more detailed analysis is necessary. According to Walter and al (2000) and Walter and Ritter (2003),
trust increases the relationship value by increasing in one hand, the direct value and in other hand the indirect relationship value. Indeed, first, trust between a supplier and a customer leads to a higher business volume, because this mutual trust permits to these partners to understand each other, and to reduce transaction costs (Doney and Cannon, 1997) (control costs for example) that refers to volume and profit value creation function as explained by Walter and Ritter (2003). Mutual trust between a client and a supplier endorses more cooperation (Morgan and Hunt, 1994), strengthen the association among these two parts and reduce the dependence on other suppliers (safeguard function), hence the positive effect of trust on direct relationship value (Walter and al, 2000; Walter and Ritter, 2003).
Second, trust allows indirect relationship value increases as it encourages, in one hand, the willingness to contribute to the development, adaptation and product innovation with suppliers (Doney and Cannon, 1997) which corresponds to the innovation function of Walter and Ritter (2003) and in other hand, trust promotes the willingness to understand supplier’s markets and technology (market and recognition functions), hence the positive link between trust and indirect relationship value dimension (Matri Ben Jemaa, 2013).

These elements permit to present the following hypothesis:

**H1.1: Customer’s trust is positively linked to direct relationship value.**
H1.2: Customer’s trust is positively linked to indirect relationship value.

**Satisfaction and Relationship Value**

Numerous researches support the positive effect of satisfaction on relationship value (Walter and al, 2000). According to this approach, a satisfied customer tends to reduce complaint behaviour, to reduce alternative supplier searching (Walter and al, 2000). Customer satisfaction increases the difference between what is received and what is given in a relationship as it allows, at least, control costs reduction.

Industrial customer satisfaction increases motivation to implement specific relationship decisions (Achrol, 1997)
suggesting greater willingness to engage in the relationship, and thus more business volume (Singh and Sirdeshmukh, 2000). Thus, the positive association between satisfaction and value creation volume function set by Walter and Ritter (2003). Satisfaction has respectively a positive effect on profit and safeguard functions referring to the direct profits for the products or services, as well as guaranteed a volume of business through contractual arrangements between exchange parties. Indeed, a satisfied customer from its relationship with his supplier tends to benefit the maximum (Gabarino and Johnson, 1999). Therefore, he is more likely to increase his profits, his business volume with his supplier and ensure business volumes through contractual arrangements (Walter and Ritter, 2003), hence the positive association between satisfaction and direct relationship value.
Customer satisfaction also fosters a closer relationship with his supplier which will encourage the latter to introduce the customer to a third party operating on the market (technology provider, service company) (Liu and al, 2008). A satisfied customer will also be more likely to adapt his production and innovation processes (Doney and Cannon, 1997). It is therefore, possible to think about the positive effect of satisfaction on relationship value indirect dimension (Walter and al, 2000; Matri Ben Jemaa, 2013).

Hence the following hypothesis:

*H.2.1: Customer’s satisfaction is positively linked to direct relationship value.*
H2.2: Customer’s satisfaction is positively linked to indirect relationship value.

Commitment and Relationship Value

Authors have placed great emphasis on the role of commitment on relationship value increase in B to B context (Shamdasani and Sheth, 1995). Indeed, commitment generates perceived risk reduction and thus, favourably affects performance and relationship value between exchange parties (Moore, 1998). Commitment is, indeed, a central element partnership value, as relationship committed customers tend to reduce claims, and to limit alternative suppliers to avoid unsatisfactory products and services (Sharma and al, 1999).
Commitment increases the direct relationship value, as it promotes increased business volumes and revenues through contractual arrangements with suppliers (Walter and Ritter, 2000, Ritter and Walter, 2003; Mohr and Spekman, 1994). Commitment increases also indirect relationship value as it encourages cooperation and investment referring to product or process innovation (innovative function). Commitment allows also gaining new customers or suppliers (market function) and market development (scout function) (Moller and Torronen, 2003).

Hence the following hypothesis:

**H3.1: Customer’s commitment is positively linked to direct relationship value.**
H3.2: Customer’s commitment is positively linked to indirect relationship value.

Marketing Relationship Key Concepts Interaction

The Link between Trust and Satisfaction

The new research trend articulates the importance of trust and satisfaction association in showing a positive relationship between these two concepts (Nefzi, 2007). In B to B context, Mohr and Spekman (1994) prove the positive impact of trust on satisfaction, as well as on business volume increase. Thus, more a customer is satisfied more he tends to assume that his supplier is honest (a trust dimension) and thus
have confidence on him (Chouk and Perrien, 2003; Sharma, 2010; Eddaimi, 2012).
In this research, we assume that trust is an important source of satisfaction because many researches in B to B context have validated this assumption (Mohr and Spekman, 1994).

Hence our fourth hypothesis:

\[ H4: \textit{Customer trust in a supplier is positively linked to the first satisfaction.} \]

\textit{The Link between Satisfaction and Commitment}

The literature does not converge regarding the link between satisfaction and commitment. For some authors, the satisfaction
influences directly and positively commitment in a relationship (Ganesan, 1994; Mohr and Spekman, 1994) and is one of its most important determinants. In this regard, Dwyer and al (1987) state that a satisfied customer search less an alternative supplier and will therefore be more committed. In this same vein, Abbad and al (2010) point out that a satisfied customer regarding his supplier has more confidence on him in the future and will be committed in the relationship.

Other theory stipulates that there is at least no direct relationship between satisfaction and commitment (Walter and al, 2000). Indeed, according to this theory supporter, satisfaction effect on commitment can pass through trust (Walter and al, 2000; Rao, 2002).
For our research, we will align to Ganesan (1994) and submit the following hypothesis:

\[ H_5: \text{Customer's satisfaction is positively linked to his commitment in his relationship with the supplier.} \]

**The Link between Trust and Commitment**

Trust reduces transaction costs (Doney and Cannon, 1997), perceived risk (Benamour, 2000) and allows cooperation (Morgan and Hunt, 1994). Trust ensures lower control procedures and encourages exchange parties agreements (Gode-Sanchez, 2003). Thus, the nature of the relationship between exchange parties changes thanks to mutual trust feeling and
become more tight and stable (Walter and al, 2000). Trust leads, therefore, to relationship commitment (Ganesan, 1994).

Trust can also be seen as an indispensable commitment determinant (Abbad and al, 2010). If a client does not perceive the benevolence and honesty of a supplier (the two main trust’s dimensions), he will not rely on him (the supplier) and will not be committed in the relationship (Bories, 2006).

Hence our sixth hypothesis:

\[ H6: \text{The trust of a customer has a positif impact on his commitment in a relationship with his supplier.} \]
Conceptual Model

Above development, allows below conceptual model development (Figure 1). The model highlights the contribution of relationship marketing key elements in value creation in B to B context. This model is a small contribution to Walter and Ritter (2003) model.

Please see Figure 1 in the PDF version.
Research Methodology

Population

This research was carried out among industrial buyers in the electronic subcontracting sector in France to study the effect of Internet use on industrial relationships. However, we observed the interaction between relationship marketing key concepts and relationship value, which in some cases is not consistent with the literature. We tried, for that reason, to highlight this aspect through this research. 292 usable responses were collected after 795 questionnaires sending. The response rate is therefore 37% resulting on a sample of 59% of men, and 41% of women above 40 years age for 47% of respondents.
**Measures**

Scales measures used for this research are shown in the table below.

Please see Table 2 in the PDF version.

**Analysis**

Our hypotheses were validated using structural equations (maximum likelihood method) on using Amos 16 software. We have performed a confirmatory factor analysis in order to test the structural model and also the research hypotheses.

Please see Table 3 in the PDF version.
Please see Table 4 in the PDF version.

Incremental index (CFI) value and parsimony indexes values ($X^2/DF$, AIC and ECVI) are satisfying according to Roussel and al (2002).

For absolute indexes, RMSEA value is very satisfying. RMR is above the recommended threshold, but acceptable as it approaches the threshold of complex models. It is also the case for GFI and AGFI values as they are below complex models recommended values (respectively 0.8 and 0.7).

Please see Table 5 in the PDF version.
Discussion, Conclusion and Recommendations

To validate the effect of relationship marketing key concepts (trust, satisfaction and commitment) on direct and indirect relationship value, we issued six hypotheses, three of them were validated and three rejected. This research shows, in one side, the positive relationship between customer’s commitment in the relationship with direct and indirect relationship value, while customer’s trust is only positively associated to direct relationship value. In the other side, the results confirm that the satisfaction is neither linked to direct nor to indirect relationship value. These results confirm partially previous research as those of Walter and al (2000) and Walter and Ritter (2003). To explain the differences, we suggest that commitment is often based on specific investments related
to a specific customer / supplier relationship that is no other than one of indirect relationship value functions. However, trust is mainly based on partner credibility and benevolence. Nevertheless, it should be noted that despite the non-significance of satisfaction and relationship value link, the effect of satisfaction should not be underestimated since it can be transmitted through mediation mechanism. Companies must concentrate their efforts primarily on the commitment, then on trust and finally on customer’s satisfaction to improve the value of relationships with them. To do so, suppliers are asked to make specific investments in the relationship with their customers and work on their reputations (Doney and Cannon, 1997; Matri Ben Jemaa, 2013) and train their sales staff.
We have also tried to highlight the interaction of relationship marketing concepts in B to B context. The results are in accordance with previous research, and confirm the importance of these concepts for B to B relationships and as determinants of relationship value.

This research thus, suggests that it is inevitable that managers adopt relational approach to maintain valued relationships with their customers.

**Limitations and Further Research**

Our research has certainly some limitations that lead to further investigations.
The major limitation of our research is its punctual nature that do not permit to assess the indirect relationship value properly, as the appreciation of the latter concept is better done on the long since it depends on new markets, new products and new processes development, which is often done on the long term. Hence, the importance of making use of longitudinal studies.

Another limitation refers to the reduced number of considered variables, we can think for example to integrate other variables to the studied model like cooperation, adaptation and performance variables given their importance in relationship marketing.

To conclude, note that this research is not intended to be exhaustive. It is only an attempt to understand better the value
concept for B to B relationships and contribute to Walter and Ritter (2003) research.

References


ANNEX

Adopted scale measures

*Internet use*

Intensity evaluation of following services use:

The Electronic mail
The World Wide Web www (example to search for information)
Special discussion forums
FTP File Transfer Protocol: to transfer files
The Extranet
The Intranet
The Web EDI
The Electronic Marketplaces
Trust (Doney and Cannon, 1997)
This company keeps the promises made to our firm
This company is not always honest with us
We believe the information that this company provides us
This company is genuinely concerned that our business succeeds
When making important decisions, this company considers our welfare as well as its own
We trust this company keeps our best interests in mind
This company is trustworthy
**Satisfaction (Geyskens and al, 1999; Georges and Decock Good, 2004)**

We appreciate working with this company
Contacts that we have with this company are perfectly suitable for us
This company permits our management optimization
This company permitted ours to win money

**Commitment (Morgan and Hunt, 1994)**

We are committed to the relationship with this company
We intend to maintain our relationship with this company
This company deserves our organisation's effort to maintain this relationship
We have a strong sense of loyalty towards this company
We are less often on the look-out for an alternative company
Valeur relationnelle directe (Walter and Ritter, 2003) Evaluation of the utility / benefit that the customer wins through the relationship with the supplier.

- **Profit function**
  Margin per product
  Overall profit

- **Volume Function**
  Amount of deliveries
  Long-term supply agreements
  Purchase volume
- **Safeguard function**
  Possibility of short notice deliveries
  Possibility to buy over capacities
  Reduction of dependency on other suppliers

*Valeur relationnelle indirecte (Walter and Ritter, 2003)*
Evaluation of the utility / benefit that the customer wins through the relationship with the supplier.

- **Innovation function**
  Joint development of production processes
  Joint concept development of new products
  Adoption of new technologies
  Prototype testing
- **Market function**
  Initiation of contacts with new suppliers
  Information about potential new suppliers
  References to potential new suppliers

- **Scout function**
  Information about the market
  Information about the competitors
  Information about relevant third organizations (e.g. further suppliers and customers)

- **Access function**
  Support by handling contacts with governmental agencies
  Initiation of contacts to important people ("movers and shakers")
  Promotion in influential institutions and committees