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# How buyers and sellers value B2B relationships: a relationship value continuum for Internet based exchange

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## **Abstract**

The internet as a vehicle for engaging two parties around a transaction is more prolific than any previous information system. With the speed and accessibility of information on products and services available at the touch of a button, it is the awareness of open information sharing, the acceptance of moving customer loyalty, and the changing of buyer/seller relationships that is the focus of this research. This paper introduces and proposes the concept of a relationship value continuum between buyers and sellers in business to business relationships, as an important mechanism for maintaining and developing buyer/seller relationships both off and online. It is argued that embracing this relationship value continuum will provide B2B partners with an understanding of how relationship values change, enabling them to develop appropriate B2B relationships based on the value they want from the relationship. This multi-disciplinary review provides internet oriented organizations a platform to understand the value of the relationship as an enabler of continual transactions.

## **Keywords**

buyers, relationship, continuum, value, relationships, sellers, internet, exchange, b2b

## **Disciplines**

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## **How Buyers and Sellers Value B2B Relationships: A Relationship Value Continuum for Internet Based Exchange**

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## **How Buyers and Sellers Value B2B Relationships: A Relationship Value Continuum for Internet Based Exchange**

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### **Abstract**

The internet as a vehicle for engaging two parties around a transaction is more prolific than any previous information system. With the speed and accessibility of information on products and services available at the touch of a button, it is the awareness of open information sharing, the acceptance of moving customer loyalty, and the changing of buyer/seller relationships that is the focus of this research. This paper introduces and proposes the concept of a relationship value continuum between buyers and sellers in business to business relationships, as an important mechanism for maintaining and developing buyer/seller relationships both off and online. It is argued that embracing this relationship value continuum will provide B2B partners with an understanding of how relationship values change, enabling them to develop appropriate B2B relationships based on the value they want from the relationship. This multi –disciplinary review provides internet oriented organizations a platform to understand the value of the relationship as an enabler of continual transactions.

**Keywords:** relationship value, buyer/seller, Internet, continuum

## **Introduction**

Effective business to business relationships (in the supply chain management context) are of core importance for organizations to enhance their own ability to be more competitive in the marketplace. Academics and practitioners commonly agree that a firm's ability to survive in a competitive market is to some extent based on its business relationships and their combined resourcefulness in creating sustainable competitive advantage. It is no longer organizations that compete on their own strength but supply chains that compete with each other (Christopher and Jutner, 2000). In today's business environment more and more transactions are mediated between suppliers and customers over the internet.

Electronic commerce has changed the way organizations communicate and is referred to as the glue that holds together the structure of all businesses (Lord and Collins, 2002). Much of this thought surrounds the ability of information to create closer relationships by enabling chain members to participant together in an variety of functional activities which in turn, enhances organizational performance and competitive advantage (Langfield-Smith and Smith,2005; Zhang and Li, 2006).

The Inter-firm communication through advanced technology such as the internet adds value to business to business exchange (supply chain organizations) through speed of information transference at a lower cost, in a real time and relevant manner than traditional communication modes (Lord and Collins, 2002; Jonsson and Gunnarsson, 2005). The necessity to share accurate information between trading partners and the customized nature of information transference to specific needs of both trading partners (Cai, Jun, and Yang, 2006) demands a strong inter-organizational relationship presence to share such sensitive market information. This reasoning requires the value of the exchange and relationship to be identified so appropriate relationship qualities such as trust and commitment are adhered to.

The nature of online transactions between B2B organizations poses new challenges for trading relationships. While trust is recognised as an important characteristic for customer relationships it is particularly relevant online; because the nature of transactions over the internet are more

likely to be perceived as riskier than face-to-face contact transactions (Grabner-Kraeuter, 2002; McKnight, Choudhury and Kacmar, 2002; Ratnasingham, 1998; Tan and Thoen, 2001).

This perceived risk revolves around security issues concerning the transmittal of personal and financial information, the novelty of the mediating computer-based communications technology, unfamiliarity with many vendors on the internet, and the lack of physical contact with both vendors and their products heighten the uncertainty associated with online transactions (Gefen et al., 2003; Pavlou & Gefen, 2005).

Various disciplines agree in principle on the meaning of the term 'value' but few studies have identified value from an organizational perspective in the relationship context, other than to simply recognize the single constant of relationship value itself. This paper extends existing understanding by reviewing value from both the customer and organizational perspective and proposes a typology of relationship values.

The key objective of this research is to establish a mechanism for determining how the value of relationships between organizations changes. To achieve this, values that buyers and sellers place on relationships must be identified and grouped. In order to explore the values an interdisciplinary review of the relevant literature is necessary. The relationship value continuum is an important step for future research in business relationships because it can more precisely identify how a relationship's value changes, dependent upon its application and on the firm's role in the exchange. It also provides an operationalized perspective of these value types for buyers and for sellers so these value types will be consistent with future research and their results comparable. The multidisciplinary review provided a broad-based definition of value, all of which acknowledge that value is the result of exchange.

The review and proposal are presented in five parts: First, the construct of 'value' is examined from a multi-disciplinary perspective. Second, it is then examined in the context of the transaction, expressed in terms of the worth of the exchange. Beyond the worth of the transaction, "relationship value" represents the additional interpersonal value derived from this initial transaction and those subsequent to it. Relationship value is then discussed in greater

detail. Third, characteristics of value that indicate the quality of an ongoing relationship are then clustered into four groups, relevant to both buyers and sellers. These are reduction in transaction costs, reduction in levels of uncertainty, trust and commitment and mutual development. Next, these four value indicator groups are arranged into a relationship value continuum. Finally, further research opportunities for the use of this continuum are presented and discussed.

## **Literature Review**

The term 'value', as referred to in the buyer-seller literature, is as central to the relationship as the transaction itself. Both academics and practitioners appear to agree on the broad interpretative appeal of the word value. Value has been defined as the trade-off between the "...price given and components received.... and is at the core of buyer-seller exchange" (Zeithaml 1988 p 14). Clearly, this view on value is primarily economic.

Consumer research on the concept of value has included three main interpretations of the term value: consumer consumption value, perceived value, and customer value, which is sometimes referred to as relative value. These three forms of value refer to what customers want and believe they will receive from buying and consuming the seller's product (Woodruff 1997). In contrast, for an organization, value is derived from a transaction, created through the relationship rather than the product or service exchanged (Gronroos 1997; Woodruff 1997; Wilson and Jantrania 1994). From this perspective, the notion of value transcends the economic.

The organization can create 'value' for itself and its customers by participating in value chain activities (Porter 1985). Better market positioning enhances organizational value, which provides competitive advantage over rivals (Porter 1985). To ensure that 'value' is generated and received by both the buyer and the seller, relationships in the channel must be cooperative and reliable. Various authors emphasise good inter-firm relationships (Sako 1992; Corbett, Blackburn and Van Wassenhove 1999; Anderson and Weitz 1992; Helper and Sako 1995; Dwyer, Schurr and Oh 1987; Trent 2005), noting a variety of benefits from these win-win situations.

### **Disciplinary Perspectives of Value**

The value proposition, from a marketing perspective, is customer focused. This perspective emphasizes the importance of the customer's perception of value for a product and related services (Bowersox, Closs and Stank 2000). Value assessment from a customer's viewpoint created the emergence of the 'buyers' view of value. However, other business disciplines offer alternative definitions of the term.

Economic principles require that the value equation include the resources employed in the transaction, versus the resulting benefits received from the transaction (Werani 2001), termed "utility". Utility is considered to be satisfaction derived from consumption (Douglas and Callan 1995). The value of this benefit is measured by how much a customer is willing to pay for a product, and the sacrifice they make to obtain it. Thus, for economists, price is the dominant measure of value. Other measures, such as attitudes and familiarity, are not addressed or represented in the price, and this can limit the usefulness of economic measures of value.

The dominant business management approach treats value as the results from exchange over time, and includes both shareholder and stakeholder value. Value is thus the desired outcome of a firm utilizing its "...ability to perform better than the competition using human, organizational, and physical resources over time". (Hillman and Keim 2001 p 127). An alternative view is resource-based (Barney 1991; Hogan 1998). This emphasizes intangible, hard-to-replicate resources that create value for shareholders (Barney 1991), a result of competitive relationships and alliances (Das, Sen and Sengupta 2003). Value-based planning provides a means for the firm to choose between strategic alternatives (Varaiya, Kerin and Weeks 1987), in terms of the expected impact on firm profitability and growth.

From this perspective, value is gained by maximizing a firm's competitive position in the marketplace. Value-creating activities center around the operations and manufacturing activities of a firm. It is at this level that the value of the product is established, creating activities that transform raw products into higher value items. With the assistance of a more valuable product base, the firm can enhance its value-adding activities to include maximizing its competitive



position. This is achieved by obtaining the maximum return on its resources as a result of operating with other firms, in cooperative relationships. While this perspective doesn't provide an understanding of specific transaction characteristics, it justifies the evolution of these transactions into relationships that ultimately benefit the shareholders in the long term.

Logistics creates value in three ways: via time and place utility and by value added. Time utility and place utility; suggest that a portion of the value of a product relates to the logistics provider ensuring that the customer can obtain the product at the right place and at the right time (Coyle, Bardi and Langley Jr 2003). The value-added concept reflects the logistics provider's attitude towards enhancing and customizing their product and service base for a customer.

In logistics, three value drivers can be identified: efficiency, differentiation and effectiveness (Novack, Langley and Rinehart 1995). Efficiency creates value by reducing duplicated service processes and by cooperatively utilizing the services of other channel members in a coordinated team approach. Differentiation adds value for the client by customizing a unique package of services, enabling the client to be more competitive in their market. Effectiveness value is derived for the receiver when the provider's performance exceeds the customer's expectations. These value drivers aim to reduce costs within the transaction to both the customer and the logistics provider, and to motivate the provider through customers' repurchase behavior. Therefore, logistics management looks at how this creates value by focusing on inter-firm relationships. The key driver of value for the logistics manager is efficiency, but at the operational level and in the medium-term time horizon.

### **Transaction and Relationship Value**

The previous discussion identified value resulting from a transaction and value resulting from ongoing business relationships. Transaction Value occurs when the buyer benefits from direct outcomes of value, such as low price products, good quality products, and efficiencies that result from the transaction (Hogan 2001). This type of B2B value is also defined as "...the worth in monetary terms of the economic, technical, service and social benefits a customer firm receives in exchange for the price it pays for a product offering" (Anderson and Narus 1999 p 5).

As transactions develop into cooperative relationships, value from participating in the relationship increases (Wilson 1995; Webster 1992; Dwyer et al. 1987). The value derived from the relationship evolves into a key resource (Barney 1991; Hunt and Morgan 1995), and value is therefore amassed as the cumulative worth of all the exchanges that occur between the participating firms (Hogan 2001).

### **Buyer and Seller Perspectives of Value**

Perceptions of value not only vary across disciplines but depend upon the participant's role in the transaction. This review attempts to identify, extrapolate, and cluster indicators of value from existing literature into value types. The resultant typology is grounded in the literature and consists of four value types: reduction in transaction costs, reduction in levels of uncertainty, trust and commitment, and mutual development. Each value type is defined, discussed and operationalized first for the buyer, then for the seller.

#### *Reduction in Transaction Costs (RTC)*

This value type represents efficiency-driven exchange outcomes. Efficiency is acknowledged as a result of reducing costs or increasing throughput whilst maintaining cost. These values are reflected in logistics management literature as efficiencies that result from effective transactions and as transaction value aspects of marketing. Table 1 lists values from the buyers' perspective that derive from reduction in transaction costs.

**TABLE 1**  
**Value to the Buyer in the Reduction of Transaction Costs**

<b>Value to the Buyer</b>	<b>Author</b>
Efficiency/Effectiveness	Bryne and Markham 1991; Novack et al. 1995; Langley and Holcomb 1992
Reduced costs (logistics, transactions, total)	Byrne and Markham 1991; Scholten, 2000; Cooper et al. 1990; Bowersox, Closs and Stank 2000; Mahadevan 2000; Lambert and Burduroglu 2000; Laseter 1998; Lewis 1995; Hartley 2000
Streamline operations	Fites 1996; Scholten 2000
Secure periodic continuous delivery	Bitner 1995; Berry 1995
System responsiveness (delivery, lead time, logistics)	Rutner and Langley 2000; Laseter 1998; Lewis 1995; Hartley 2000 Novack et al. 1995; Scholten 2000
Transfer financial risk	Cooper, Ellram, Gardner and Hanks 1990
Economic value	Bowersox, Closs and Stank 2000
Reduce inventory levels	Rutner and Langley 2000

The value to the buyer can involve the lowest landed cost for a product, and involves lowering the costs associated with distribution, also called logistics costs (Lambert and Baradrough 2000; Bryne and Markham 1991). Logistics cost reductions can also be achieved through efficiency and effectiveness in the transaction (Novack et al. 1995) or by shortening lead times (Laseter 1998; Lewis 1995; Hartley 2000) which reduces cycle times (Rutner and Langley 2000). This increases the likelihood of more on-time deliveries (Rutner and Langley 2000) which can provide the buyer with confidence that they can meet their ongoing customer demands. The net effect of these is an increase in the economic value of their relationship (Bowersox, Closs and Stank 2000).

For the seller, the RTC value attributes are similar. The seller's focus is also on the efficiency of the transaction, either from an increase in volume and opportunity, or by direct reduction in transaction costs. Table 2 identifies the values derived from reducing in transaction costs, from the seller's perspective.

**TABLE 2**  
**Value to the Seller in the Reduction of Transaction Costs**

<b>Value to the Seller</b>	<b>Author</b>
Economies of scale, manage relationships, concentrate on core business	Ellram and Cooper 1990
Lower marketing costs	Berry 1995; Reichheld and Sasser 1990
Economies of scale, scope	Bowersox, Closs and Stank 2000
Increase efficiency by lowering total costs	Cannon and Perreault Jnr 1999
Reduced promotion, transaction costs	Mahadevan 2000
Lower-cost product designs	Dobler and Burt 1996
Achieve higher sales	Kalwani and Narayandas 1995
High repeat sales	Walter, Mueller, Helfert and Wilson 2002
Increase order forecast for business transactions	Mahadevan 2000
Reduce waste	Hartley 2000
Customer relationship value	Lusch and Vargo 1998

RTC is a traditional goal of the logistics and distribution sector. While other functions often perceive logistics as an added cost of the sales function, it is a necessity, and therefore performance indicators assess the reduction of costs. RTC seeks to reduce the physical costs in the movement of products from manufacturer to customer, and it tries to reduce duplication of processes and inventory, which is greatly improved with electronic monitoring and information sharing. This can be of value from a seller's perspective and is represented by indicators such as economies of scale (Cooper and Ellram 1990; Bowersox, Closs and Stank 2000; Mahadevan 2000) and lowering total costs by increasing efficiency (Cannon and Perreault Jr 1999; Hartley 2000; Mahadevan 2000). From a marketing perspective, reduction of transaction costs to sellers focuses on increasing the opportunity for the seller to supply more of a product into an existing market without having to increase the organization's marketing costs (Berry 1995; Reichheld and Sasser 1990; Mahadevan 2000). This is also achieved by increasing the seller's product exposure through economies of scope and positioning in the marketplace (Bowersox, Closs and Stank 2000). A reduction in transaction costs provides the seller security to invest in the market.

*Reduction in Level of Uncertainty (RUN)*

Uncertainty in both supply and demand contributes to an unstable trading environment. Firms seek to reduce uncertainty to ensure continuity of supply (buyer) and continuity of demand (seller). Trading stability provides firms a platform from which to be more competitive. This value type draws support from the logistics literature, which emphasizes regularity of exchange,

whilst remaining efficiency focused. The marketing literature also highlights benefits from being in a regular relationship.

For the buyer, RUN represents indicators that reduce the buyer's risk of uncertain supply (Cannon and Perrault Jr 1999), both from environmental and market driven forces (McGuffog and Wadsley 1999; Flint and Mentzer 2000; Lusch and Vargo 1998). These indicators of value are important for several reasons. It is important for the buyer to be able to rely on continuity of supply, and thus be able to minimize downturn and stock outs (Scholten 2000). By being able to rely on continuity of supply, buyers gain the ability to manage uncertainty and dependence (Cannon and Perreault Jr 1999). This contributes to the control of stock outs (Rutner and Langley 2000) and irregular supply of product that, in turn, impacts customer satisfaction. This is critical, as a buyer representing a manufacturing facility needs to provide regular reliable supply of components for the manufacturing process. The need to reduce uncertainty in supply encourages buyers to develop regular interaction with key suppliers who can provide continuity. Table 3 lists indicators of this value type, from the buyer's perspective.

**TABLE 3**  
**Value to the Buyer in Reducing the Level of Uncertainty**

<b>Value to the Buyer</b>	<b>Author</b>
Minimizes downturn	Scholten 2000
Reduce risk of uncertainty	Sheth and Parvatiyer 1995; Bauer 1960; Taylor 1974
Manage uncertainty, dependence, risk	Cannon and Perreault Jnr 1999
Stock-outs reduced	Rutner and Langley 2000
Reduce environmental uncertainty	Flint and Mentzer 2000
Sharing technology	Simpson Siquaw and White 2002
Risk reductions	Lusch and Vargo 1998
Reduction of uncertainty	McGuffog and Wadsley 1999; Presutti 1992

The ability to forecast sales demand via stabilized orders, is one example of RUN for the seller. Another is represented as reduced capacity utilization risk (Ellram and Cooper 1990; McGuffog and Wadsley 1999). Both these examples ultimately provide value from the exchange for the seller, as they provide longer term business arrangements (Ford 2005) which enable the seller adequate time for planning. This in turn provides the seller the opportunity to maximize their manufacturing and distribution operations. Table 4 lists indicators of reduction of uncertainty, from a seller's perspective.

**TABLE 4**  
**Value to the Seller in Reducing the Level of Uncertainty**

<b>Value to the Seller</b>	<b>Author</b>
Reduce capacity utilization risk, longer planning, long term investment	Ellram and Cooper 1990
Manage uncertainty and dependence, enhance product development	Cannon and Perreault Jnr 1999
Reduction of uncertainty	McGuffog and Wadsley 1999
Reduce environmental uncertainty	Flint and Mentzer 2000

*Trust and Commitment (T&C)*

Trust and commitment (T&C) results from previous successful buyer/seller exchanges. Drawn from research in the marketing and business management disciplines, T&C provides short term and increasing long term benefits to both participants, as an outcome of being in the relationship.

Value attributes for the buyer reflect the level of competence (Doney and Cannon 1997; Achrol 1997) and credibility that the buyer expects of the seller (Gummesson 1994). These values represent attributes such as expectation (Fukuyama 1995), goodwill (Gulati 1995; Krammer, Brewer and Hanna 1996), and reputation (Doney and Cannon 1997). The value indicators that make up the T&C type are important to the buyer, as they provide stability and opportunity. Thus, the buyer is able to utilize and plan for future interaction with suppliers who contribute to the realization of mutual goals. Listed below as Table 5 are the value indicators that represent the 'trust and commitment' value type, to the buyer.

**TABLE 5**  
**Value to the Buyer in Trust and Commitment**

<b>Value to the Buyer</b>	<b>Author</b>
Credibility	Ganesan 1994
Competence, faith, reputation	Doney and Cannon 1997; Achrol 1997
Expectation	Fukayama 1995
Goodwill	Gulati 1995; Krammer, Brewer and Hanna 1996; Sako 1992
Reliability to fulfill obligation	Schurr and Ozanne 1985

Similarly T&C reassures the seller of the buyer's intention to focus on mutually rewarding longer-term relationships. The value attribute of trust is identified as an important prerequisite to alleviate risk and increase mutual cooperation in a relationship (Schurr and Ozanne 1985, Smith and Barclay 1997). This attribute and others (listed in Table 6 below) is representative of the

value outcomes expected from a seller that could be used to assess the suitability of a buyer for future relationships.

The values listed in Table 6 are characteristic outcomes of successful transactions, from the seller's perspective. The trust and commitment value category represents a high level of relational exchange competency and commitment between the buyer and the seller. As with the buyer, the seller utilizes this value category as an indicator of future relationship intentions.

**TABLE 6**  
**Value to the Seller in Trust and Commitment**

<b>Value to the Seller</b>	<b>Author</b>
Reliability	Schurr and Ozanne 1985; Moorman et al. 1993
Promise of reliability	Rotter 1967
Maintain a relationship	Dwyer et al. 1987; Schurr and Ozanne 1985; Morgan and Hunt 1994.
Credible commitment	Williamson 1979
Reciprocal acts	Whipple et al. 1999
Goodwill	Gulati 1995; Krammer, Brewer and Hanna 1996; Sako 1992

#### *Mutual Development (MD)*

MD signifies value outcomes that benefit both relationship partners. Many projects are only successful if channel partners work together when introducing a new product or entering a new market. These value indicators personify a collaborative level of relationship, where a willingness to effectively operate and compete in the marketplace is considered important by both parties. To effectively compete in the marketplace firms often need to innovate and customize their offering. The ability for both parties to attain this level of relevancy value is representative in the value outcomes grouped as mutual development. Value indicators of MD for buyers are listed in Table 7, and for sellers in Table 8.

**TABLE 7**  
**Value to the Buyer in Mutual Development**

<b>Value to the Buyer</b>	<b>Author</b>
Sharing technology	Simpson, Siquaw and White 2002
New product introductions	Scholten 2000; Fites 1996
Relevancy value–custom products	Bowersox, Closs and Stank 2000
Inc. service or product quality	Lambert and Burduroglu 2000; Scholten 2000
Gaining and sustaining competitive advantage	Simpson, Siquaw and White 2002, Porter 1985; Bharadwaj, Varadarajan and Fahy 1993, Trent 2005

Improve quality products	Lambert and Burduroglu 2000; Cooper, Ellram, Gardner and Hanks 1997; Laseter 1998; Lewis 1995; Hartley 2000; Fites 1996
Brand value, image corporate identity	Rutner and Langley 2000; Scholten 2000; Fites 1996; Zeithaml 1988
Differentiation	Bryne and Markham 1991; Langley and Holcomb 1992; Novack et al. 1995
Flexibility	Treleven and Schweikhart 1988; Ricks 1993
Competitive advantage through timeliness and flexibility	Rutner and Langley 2000

As with the buyer, values identified as mutual development for the seller represent the willingness of both firms to share information, technology, and product and market information with the intention of ensuring that their partner, in this case, the seller, is more able to effectively enhance their competitive advantage in the marketplace as a result of the relationship. Critical to the seller is the opportunity to increase sales from continued exchange by supplying fewer customers than in discrete and repeated selling arrangements (Kalawani and Narayandas 1995), such as cross-selling opportunities (Walter, Mueller, Helfert and Wilson 2002). Whilst these values are important operationally to the seller, the values that represent mutual development go further by enhancing the sellers' opportunity to participate as an important and contributing partner in the creation of values that increase the level of relationship in which they participate in.

**TABLE 8**  
**Value to the Seller in Mutual Development**

<b>Value to the Seller</b>	<b>Author</b>
Enhance product development	Cannon and Perreault Jnr 1999
New product ideas, strategic info.	Walter, Mueller, Helfert and Wilson 2002
Sharing technology, joint development of ideas	Simpson, Siguaw and White 2002
Brand value	Rutner and Langley 2000; Scholten 2000
Creating and sustaining competitive advantage	Rutner and Langley 2000; Bowersox et al. 2000; Porter 1985; Simpson, Siguaw and White 2002

The indicators of value in this type support the intention of both parties to share technology (Simpson, Siguaw and White 2002) and information (Walter, Mueller, Helfer and Wilson 2002), in order to achieve performance outcomes such as competitive advantage (Simpson et al. 2002; Porter 1985), flexibility (Trelevan and Schweikhart 1998), and increased brand value (Rutner and Langley 2000; Schoulten 2000; Zeithaml 1988). This value type of mutual development provides value to both the buyer and seller by creating further opportunity for them to invest in a



mutual activity and share the costs and benefits derived from it. These value attributes represent to both the buyer and seller the willingness and commitment of each other to openly share information and technology in the joint pursuit of mutual benefits.

### **Relationship Value for Buyers and Sellers**

The value of a relationship is often examined from only one perspective. For example, Anderson and Narus (1991) note that "...value in business markets is the worth in monetary terms of the technical, economic, service and social benefits a customer company receives in exchange for the price it pays for a market offering"(p 98). This view narrowly emphasizes only value received by the customer. A relationship, however, has value implications for both buyers and sellers.

However, the buyer and seller together create a second type of value, relationship value, by working closely with the seller in a longer-term relationship for the purpose of identifying specific opportunities to mutually reduce costs, improve quality and create value (Hogan 1998). Wilson (1995) supports this by suggesting that "...value is created in the process by which competitive abilities are developed as a result of being in the relationship" (p 336). This quote emphasizes the potential benefit or value to both the buyer and seller as a result of their participation in a continuing relationship. The relationship not only reduces costs but also improves their competitive position (Dixon and Porter 1994).

Whilst various authors agree with the basic concept of relationship value (Mandjak and Durrieu 2000; Hogan 1998, 2001; Flint, Woodruff and Gardial 1997; Wilson 1995; Wilson and Jantrania 1994; Ravald and Gronroos 1996; Werani 2001; Gassenheimer, Houston and Davis 1998), few agree on relationship value composition and assessment. Flint et al. (1997) suggest that values are initially beliefs that guide behaviour, which they call perceived values. From the customer's perspective, perceived value is the consequence of comparing expectation to outcomes. Gassenheimer, Houston and Davis (1998) regard relationship value as comprising of a combination of economic and social values that, when applied by both firms, create value outcomes. Wilson (1995) suggests that relationship value contributes to relationship attributes such as mutual goals, non-retrievable investment, structural bonds, cooperation, and commitment. Characteristics of relationship value are listed in Table 9.

**TABLE 9**  
**Characteristics of Relationship Value**

<b>Characteristics of Relationship Value as:</b>	<b>Author</b>
Desired, perceived and judgment aspect	Flint, Woodruff, and Gardial 1997
Non-retrievable investments to increase value creation	Wilson 1995
Economic, strategic and behavioral dimensions	Wilson and Jantrania 1994
Safety, credibility, security, mutually profitable relationships	Ravald and Gronroos 1996
Stages of relationship development	Wilson 1995
Direct (tangible) and indirect (intangible) functions	Hogan 2001; Baxter and Matear 2004
Mutual economic and social values	Gassenheimer, Houston and Davis 1998
Difference between benefits/sacrifice	Werani 2001
Maintaining relationship of intangibility and inimitability	Morgan and Hunt 1999
Perceived net worth of the tangible benefits obtained over the life of the relationship	Hogan 1998
Provision of future economic benefits	Jackson 1985
Result of focal relationship and on connected relationships	Mandjak and Durrieu 2000

In sum, the benefits of relationship value comprise two distinct types of outcomes: tangible and intangible (Baxter and Matear 2004). Tangible value refers to direct outcomes of the relationship, e.g. efficiency and reduction in costs. In contrast, intangible value outcomes are represented as values that signify ongoing relationship benefits that enhance future trading ability. Trust and commitment are examples of how such intangible values can be represented. Both tangible and intangible values contribute to relationship value in different degrees, dependent upon the level of relationship that is present between the buyer and the seller. Value received from participating in a relationship can be operational and strategic, tangible and intangible.

Whether the value outcomes received from participating in a relationship are operational or strategic, the influence of the relationship in creating the value is acknowledged. The level of the relationship value is dependent upon the regularity, input, and focus of the relationship participants.

### **A Relationship Value Continuum**

The previous section provided a detailed review of the justification for establishing the four value types of RTC, RUN, TC and MD. Each value type comprises a variety of value indicators



Not all business to business exchange requires high level relationship development, however the nature of and the sensitivity within the information that is transferred between supply chain partners requires both partners to understand the expectations of the values associated with the relationship. The relationship value continuum is an important step for future research in business relationships because it can more precisely identify how a relationship's value changes, dependent upon its application and on the firm's role in the exchange. It also provides an operationalization of these value types for buyers and for sellers so these value types will be consistent with future research and their results comparable. By identifying and grouping relationship values the multidisciplinary review provided a broad-based definition of value, all of which acknowledge that value is the result of exchange.

Applying this continuum in the context of B2B internet based exchange can be highlighted by the need to value inter-organizational relationships. Once the organization has determined how they value their relationship with their supply chain partner based on the relationship value characteristics in the continuum, they can move forward to ensure that they meet their requirements with the view that this will enhance their B2B exchange. An important implication for internet based organizations revolves around the significance of contributing to relationship development as a means of enhancing organizational performance through maximizing the combined strength of the supply chain for which they participate in. The proposed continuum contributes to organizational understanding of relationship value expectations of buyers and sellers indirectly increasing organizational and relational performance and enhancing the organizations competitive advantage.

### **Theoretical and Practical Implications of this Value Continuum**

The value continuum has both theoretical and practical implications. From a theoretical perspective this continuum contributes specifically to business-to-business literature, and broadly to supply chain management literature. It also further develops the relationship value construct utilizing it as a tool to assess relationship levels between B2B partners identifying the value each places on the level of relationship in which they participate.

From a practical perspective by understanding these relationship values, firms can evaluate and utilize the necessary and most effective mutual requirements for establishing successful working relationships. These effective working relationships create a stable platform for shared information and co-ordination practices that can benefit the whole supply chain. Overall, this research has contributed to existing B2B and supply chain literature by developing a model that provides, in part, a value-based theory of inter-firm relationships.

As well as making several contributions to theory, this research provides meaningful contributions for managers. All firms rely on efficient business practices to create profitability and potential for growth. This efficiency is an outcome of internal practices and external relationships, hence the importance and potential impact of this research. The development of the relationship value construct provides managers insight into what relationship value levels are the most important to invest in, dependent upon the type of exchange that is central to both parties. A further contribution for managers, particularly taking into account an internet based relationship, between buyer and seller, is the heightened perceived risk in conducting business with suppliers who the organization does not have face-to face contact with. The value continuum provides a level of re-assurance for internet based managers as they are able to have confidence as they invest in relationships which display higher order relationship value characteristics.

If the buyer identifies with all value continuum levels, the seller must understand that the buyer's intention is not always to escalate an economically based exchange, rather their focus may be more on a relationally based exchange, unless it is important to the buyer's strategic focus. The assumption is that the buyer tends to value the exchange in the context of knowing that not all exchanges require the 'relational focus' and they are long-term relationships. Understanding the value of the relationship from the buyer's perspective enables the seller to then select which relationship values are important, and to develop relationships inline with the appropriate level of investment, which ultimately brings about a very cost-effective exchange. It also acknowledges that the concept of value changes, dependent upon its application and on the firm's role in the exchange.

This value continuum can be used for assessing both the maturity of a relationship and indicate how value changes across different levels of B2B relationships. As the value becomes more relational and less transactional, the assumption would indicate that relationships themselves would also become more relationally focused as a result of the higher order value characteristics associated with this level of relationship value. The same assumption would suggest that maturity of the relationship would be indicated by the level of value attributed to the relationship by both exchange partners. As an example, for the relationship value of trust and commitment to be attributed to a level of exchange, both partners would have to have had a number of previous successful exchanges. Therefore as the relationship matures, so the level of relationship value increases with the types of relationship attributed to the particular value level.

### **Future Research**

A number of challenges arise as to how to further maximize the use of this value continuum? The next step in the development of this continuum is to apply it in empirical research. Further empirical research using this continuum may also consider the impact of different relationship levels and whether industry sector or position in the supply chain influence a firm's movement between relationship levels? Developing an understanding of which relationship values influence a firm's ability to develop from an embryonic relationship to a more cooperative relationship will contribute to enhanced firm performance. Future challenges include understanding how relationship values identified as important in a relationship by both buyers and sellers affect information and product flow throughout the supply chain. Knowledge of how the value of inter-firm relationships and their internet based activity impacts the value-added nature of their collective supply chain performance would provide more emphasis for the adoption of such a continuum. These interesting effects deserve further investigation. Overall, a more comprehensive understanding of the nature and content of channel member relationships and their mutual value can strengthen the degree of supply chain integration, with positive consequences throughout.

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