Summary Papers – IEM 1 2019
B2B Marketing

<u>Lecture 1, Papers 1-3</u>
Grove, Sellers, Ettenson, & Knowles (2018), Selling Solution Isn't Enough, *MIT Sloan Management Review*

General topic: Why four B2B companies have chosen to move away from selling solutions in favour of identifying and delivering outcomes that customers want

- Desired customer outcomes: represents leading indicators of customer's future business performance.
- Dynamics of B2B markets have been disrupted by four factors in recent years:
    1. Commoditization of quality: high quality has become table stakes, and companies need to deliver additional forms of value.
    2. New technologies: cheaper and simpler ways to deliver same functionality.
    3. Abundance of product information: question is more what can product do for me, than what does the product do in general.
    4. Shift from cost to value: identifying supplier that can help generate greatest business value instead of focussing on lowest price.
- These factors demand complete reset in how companies create value for customers.

Results: B2B companies pursuing outcomes-based approach have to change along following six dimensions:

1. Changing definition of success: success is measured in terms of value received by customer. Pursue customer for whom they can generate the most value, requires focussing on customers' customer.
2. Changing approach to technology: IT's role is strongly influenced by where it sits in organization. Each of the four companies has sought ways to use emerging technologies to deliver distinctive value to customers.
3. Changing how the company is organized: orienting company around customer outcomes requires degree of internal restructuring and alignment, as priorities shift from maximizing efficiency to maximizing contribute of organization to customers' success.
4. Changing how company communicates with customers: "cathedral" model has given way to "marketplace" model in which B2B companies are just one voice among many interactions happening both physically and online. Value of social media is in how it connects companies to customer.
5. Changing how company measures value: suppliers need to rethink metrics of success and help customers assess value of their products/services. Quality can sometimes no longer be internally defined but instead gauged by how well product meets customers' expectations. Measures of internal efficiency need to be supplemented by external measures of effectiveness.
6. Changing definition of success: success is measured in terms of value received by customer. Pursue customer for whom they can generate the most value, requires focussing on customers' customer.

The common thread is the desire to demonstrate company's value as trusted collaborative partner that aligns with each customer's business priorities for whole process and life cycle.

Conclusion: Becoming an outcome-oriented B2B business isn't easy. Providers need to better understand customers' specific challenges, objectives, operating practices, and competitive environment → create offerings that deliver value within a customer's specific business context and culture. As B2B environment becomes more dynamic and demanding, enterprise customers want suppliers to actively contribute to their commercial success. Companies that develop outcome-based approach will be able to collaborate more directly with customers and take on shared responsibility for creating greater, and more sustainable, value.

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Anderson, James, & Narus (1998), Business Marketing: Understanding what Customers Value. *Harvard Business Review, 76, 53–65.*

General Topic: Suppliers must have good understanding of customer value in order to persuade customers to focus on total costs rather than acquisition price. These suppliers have developed *customer value models (CVM)*, which are data-driven representations of the worth, in monetary terms, of what supplier is doing or could do for customer. CVMs are based on assessment of costs and benefits of given market offering in particular customer application.

Customer Value Guidelines:

1. Definition of value = the worth in monetary terms of technical, economic, service, and social benefits a customer company receives in exchange for price it pays for market offering.
    a. Value in monetary terms: dollars/unit.
    b. Benefits: costs customer incurs in obtaining desired benefits, excl. purchase price.
    c. Market offering has two elemental characteristics: its value and its price. Thus, raising/lowering the price doesn't change the value; it changes incentive to purchase.
    d. There is always a competitive alternative: ($value_s$ – $price_s$) > ($value_a$ – $price_a$). The difference = customers incentive to purchase.
2. Building Customer Value Models:
    a. Field value assessments (value-in-use) calls for suppliers to gather data about customers first-hand whenever possible.

    Process for building CVM:
    1. Putting together right kind of value research team.
    2. Select right market segment to target.
    3. Before approaching customer, think through what customer will need and what customer will gain, be prepared to offer incentive.
    4. Generate comprehensive list of value elements. Consider entire lifecycle.
    5. Look at differences between offering and next best thing.
    6. Gather data: obtaining initial estimates for each element and finding out what each one is worth in monetary terms. Assumptions must be made to complete analysis.
    7. Validate model and understand variance in estimates.
    8. Create value-based sales tools. Value assessment can become service that suppliers offer as part of consultative selling approach.
3. Putting an understanding of value to use to strengthen performance and create competitive advantage. It can then better sustain customer relationships by documenting its delivery of superior value over time by discovering new ways to update those relationships.
    a. Managing market offerings: increase profitability by providing flexible market offerings. To do so: construct naked solution with options.
    b. Identify and eliminate value drains = services that costs the supplier more than they are worth to customer. Eliminating value drains leads to better allocation of resources and improved profitability.
    c. Guiding development of new or improved products and services: model allows supplier to see how value of new technology varies. Use value assessment to determine what are worthwhile and which ones have highest priority.
    d. Gaining customers: knowledge of how their market offerings specifically deliver value to customers enables suppliers to craft persuasive value proposition.
    e. Sustaining customer relationships: trust and commitment. Progressive suppliers periodically provide evidence to customers of their accomplishments.

Conclusion: Delivering superior value and getting equitable return: understanding value gives suppliers means to get equitable return for their efforts. Essence of CVM is to deliver superior value and get equitable return for it, both which depend on value assessment.

Anderson & Narus (1995). Capturing the Value of Supplementary Services, Harvard Business Review, 75-83.

General Topic: Tailoring one's offering to the specific needs of each customer while still maintaining low costs and prices is very important. To pursue this, suppliers implement flexible manufacturing systems: modular components, and designed platforms that can be shared by a family of products. Focus is on product and not on another important factor: services; e.g. logistics management, systems for placing and tracking orders, etc. Suppliers often provide customers with more services than they want/need at prices that don't reflect value of the service to the customer nor costs of providing them.

Goal: Model for providing 'flexible service offerings'; reduce number and costs of services, how to charge more on average, how to provide greater value.

- Building flexibility into portfolio of services; construct naked solution/system = bare-bones-minimum for lowest possible price. Then wrap with extra options; greater latitude in pricing.
- Most important benefit flexible offerings: provide supplier with powerful means of retaining and expanding business with most value customers.

How to do this?: How to turn services into flexible offerings?

1. Inventory supplementary services.
2. Asses value of each service and cost of providing it. Then give customers estimates of cost savings for a service, customer can make informed decision based on value of proposed system solutions.
3. Assessing costs using activity-based costing. Suppliers can move focus of discussion with customers away from price to performance and meeting customers' requirements.

Formulating flexible service offerings:

1. Divide services into three categories: existing standard, existing optional, new services. The goal: limit standard package (=services highly valued by all customers). Hard to recast standard service as payed for option = retain as options or discontinue. Solution: change the level of those services available in standard package and charge as extra to future customers.
2. Re-evaluating optional services: price according to value and all costs associated with service.
3. Adding new services: has strategic advantage: enables suppliers to gauge market interest. Can also just mean offering new level of existing standard service. Managers should analyse each service at a single level to determine whether they can define alternate levels that would have different values for different customers.
4. Pricing the offering: flexible service offerings enable manager to be more adaptive and responsive in pricing; gives manager wider choice of pricing tactics.
5. Creating value merchants: provide salespeople with means to be more persuasive in explaining value of their services; tie compensation to increasing <u>long-term</u> profitability. Requires skill to <u>say no to customers that want full-service packages at lower prices.</u>

<u>Lecture 2, Papers 4-6</u>
Organizational Buying:
Wind, Yoram, Thomas, (2010), Organizational Buying Behaviour in an Interdependent World.
Journal of Global Academy of Marketing Science, 20 (2), 110-122.

General Topic and Results: Three questions related to organizational interdependencies:
1. What are the factors and trends driving the emergence of organizational interdependencies?
   - Five critical drivers in relationships among organizations that can impact their purchasing behaviour (lead to increased organizational interdependency):
     1. Accelerating globalization;
     2. Flattening networks of organizations;
     3. Disrupting value chains;
     4. Intensifying government involvement;
     5. Continuously fragmenting customer needs.

In customer driven marketing, drivers affect three levels of strategy development: evolving customer needs, the resulting product/service/solution offerings to meet these needs, and the organization competencies/processes required to develop and implement offerings. Drivers can be interdependent in their impact on how organizations buy. For example: accelerating globalization may influence emergence of additional networks that further disrupt traditional value chain relationships, changing how organizations purchase products and services.

2. Will the major conceptual models organizational buying behaviour that have developed over the past half century be applicable in a world of interdependent organizations?
   a. Consider the three conceptual models of industrial buying and creative marketing and organizational buying behaviour: organizational buying process, the buying center, and the buying situation. They are still valid and not likely to change with increasingly intense drivers of interdependency, what will change is way in which buyers and sellers interact under conditions of interdependency.
      1. Buying situations: new task, modified rebuy, straight rebuy.
      2. Decision stages: identification of needs, establish specifications, search for alternatives, establish contact, set purchase and usage criteria, evaluate alternative buying actions, determine budget availability, evaluate specific alternatives, negotiate with supplier, buy, use, conduct post-purchase evaluation.
      3. Buying center roles: president – PA – controller – R&D – marketing.
   b. Importance of communication processes between and among organizations will increase as role or trust becomes an important criterion for a successful buying relationship.

3. What are the implications/consequences of organizational interdependencies on organizational buying behaviour for practice and research?
   a. Transition from inter-organizational to an interdependent perspective has begun, and must continue so as to develop an improved understanding of these important relationships. Managers need to better understand the complexities of how organizations relate to one another. The focus should be on all related members of the network, including the network of customers, developers, and other suppliers and intermediaries.

Conclusion: Fundamental models of organizational buying behaviour are still relevant. However to increase the value of these models in interdependent world the; understanding of network influences; how to better manage these influences; the role of trust and value among organizational participants; the evolution of customer needs in the value network; and the impact of emerging new business models on organizational buying behaviour should be better understood. To accomplish this, greater collaboration between industry and academia is needed to advance our understanding of organizational buying behaviour in an interdependent world.

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Managing Market Offerings
Macdonald, Kleinaltenkamp, & Wilson (2016). How Business Customers Judge Solutions: Solution Quality and Value in Use. *Journal of Marketing 80(3), 96-120.*

General Topic: What constitutes value for customer over time, conceptualized as 'value-in-use', and how this arises from quality perceptions of the solution's components.

- Solutions = products and services combined into innovative offerings.

Customers and suppliers view solutions differently:

- Suppliers: bundle of products and services.
- Customers: emphasize importance of relational processes of solution design and delivery.

Goal: Article takes customer perspective with research question: How do business customers judge solutions and the value they create? Create framework.

Results: How do customers assess solution quality?

- Quality = perceived excellence or superiority of the solution.

What constitutes value for solution customers? Focus on value in use = all customer-perceived consequences arising from a solution that facilitate or hinder achievement of customer's goals.

- Customers asses quality of not only supplier's processes and resources but also customer processes and researches as well as joint processes.
- Customers link solution quality to individual value-in-use constructs and collective ones.
- Moderators of relationship between solution quality and value in use, demonstrating heterogeneity in how solutions are judged as arising both from manager's role in what we term the 'usage center' and from firm characteristics.

Solution's value proposition is not proposed by supplier alone but is jointly designed by supplier and customer; depends on quality not only of supplier's resources and processes but also of customer resources and processes as well as of joint resource integration process: and the value that arises is not predetermined and simply verified but is rather, continually optimized by both parties. Resource integration process for which both parties are responsible plays a central role in customer's evaluation, draws from both customer and supplier and leads to value-in-use. Suppliers and customers cocreate solutions.

Four moderators of quality-value relationship across employee roles and customer firms:

1. Resource integration involvement; employees who are more embedded in core resource integration process, solution quality has greater impact on their individual job performance and well-being.
2. Role extraversion: reduces relationship between customer resource quality and resource integration process quality; value in use (collective and individual)
3. Solution ownership: enhances relationship between value-in-use auditing quality and collective value in use.
4. Reconfiguration Capability: customer firm's ability to amend its processes in order to optimize value in use from the solution.

Conclusion: Solutions integrate products and services, are customized by supplier, exist to solve customer problem, achieve better (organizational) outcomes that sum of individual components. They also integrate customer resources and processes, are customized through joint resource integration process, are judged in terms f individual as well as organizational value in use, and are continually optimized to meet emergent goals and not just solve predefined problems. This gives the following definition of business solutions: the combining of supplier and customer processes and resources through a joint resource integration process to create collective and individual value in use, which is monitored and optimized through value-auditing processes.

Homburg, Klarmann, & Schmitt (2010), Brand Awareness in Business Markets: When Is It Related to Firm Performance?, *International Journal of Research in Marketing, 27(3), 201-212*

General Topic: Brand awareness significantly drives market performance, this link is moderated by market characteristics and typical characteristics or organizational buyers. B2B brands function not only as entities but also as processes, making relational dimensions of branding such as customer trust and brand reputation key determinants of brand equity. Thus, for B2B firms creation of brand awareness (=ability to recognize/recall a brand) is key element of branding strategy and links with market performance (=firm performance in terms of development of quantity of products/services sold, which is captured by customer loyalty, acquisition of new customers, achievement of aspired market share, and achievement of aspired growth rate).

Goal: Analyse link between brand awareness and market performance across number of B2B industries. Expectation: brand awareness is related to market performance through reduction of perceived risk and information costs for buyers. Under which conditions brand awareness is associated with market performance in a B2B context.

Results: Two important moderators on link between brand awareness and market performance:
- Characteristics of typical buyers: buying center size, buying center heterogeneity, and time pressure in buying process.
- Market characteristics: product heterogeneity, and technological turbulence.

Hypothesis 1: In the case of high as opposed to low product homogeneity, brand awareness affects market performance more positively. Moderator: product homogeneity.
Hypothesis 2: In the case of high as opposed to low technological turbulence, brand awareness affects market performance more positively. Moderator: technological turbulence.
Hypothesis 3: In the case of high as opposed to low buying center size, brand awareness affects market performance less positively. Moderator: buying center size.
Hypothesis 4: In the case of high as opposed to low buying center heterogeneity, brand awareness affects market performance less positively. Moderator: buying center heterogeneity.
Hypothesis 5: In the case of high as opposed to low buying center heterogeneity, brand awareness affects market performance less positively. Moderator: time pressure.

In B2B markets, brand awareness may provide an opportunity to differentiate products or services and gain an advantage over competitors. To achieve high brand awareness, companies must increase the familiarity of the brand. This can be done through technical consultants and sales representatives. Study shows that awareness is more strongly associated with market performance under some conditions than under others. Marketing managers must analyse and fully understand the complete dynamics of the buying center for their typical customers and purchase background. In heterogeneous buying centres or markets where customers don not ace time pressure, performance and awareness are not strongly associated. The effectiveness of brand awareness is also reduced in markets that are technologically stable and offer heterogenous products.

Conclusion: Association between brand awareness and market performance is stronger in markets with homogenous buying centres, greater buyer time pressure, homogenous products, and a high degree of technological turbulence.

<u>**Lecture 3, Papers 7-8**</u>

Zhang, Netzer, & Ansari (2014), Dynamic Targeted Pricing in B2B Relationships, Marketing Science, 33(3) 317-337.

General Topic: The multifaced impact of pricing on decisions in B2B relationships that are governed by trust, regarding pricing strategies to maximize profits over time while taking into consideration the impact of the pricing decision on short-term profit margin, reference price formation, and long-term relationships. Buyers can have states of trust toward seller: 'vigilant': heightened price sensitivity and cautious approach to ordering, and 'relax' state with purchase behaviours that are consistent with high relational trust, more direct orders and lower price sensitivity. The seller's pricing decisions can transition buyers between these two states.

B2B vs. B2C

B2B is mostly product and service customization and by reliance on personal selling to forge and cement transactions; sellers can vary prices between buyers; long-term relationships; more complex transactions: B2B buyers choose what, when, how much and how to buy; situational triggers can influence decisions, e.g. price changes in commodity markets; B2B buyers are assumed to behave rationally. B2B setting offers sellers significant pricing flexibility. The paper develops model framework that incorporates unique facets of B2B contest and models multiple buyer decisions on each purchasing opportunity in an integrated fashion.

Conclusion: Results imply that, in B2B context, researchers and managers that consider only short-term effects of pricing can significantly and substantially underestimate overall impact of pricing as they ignore impact of pricing on reference prices and latent relationships that drive long-term profitability. Paper finds superior profitability of their individual targeted price policy, relative to current policy, due to ability to leverage (1) heterogeneity in price sensitivities, (2) differences across latent states so that higher prices can be charged to less price-sensitive customer in relaxed state, and (3) trade-off between short-run and long-run dynamic effects of pricing.

Appropriate pricing decisions can increase trust and relationship quality (in the form of relax state). Such state can, in turn, act as 'relationship shelter' by encouraging a simplified buying process and can mitigate the adverse effects of external volatility. Secondly, it takes longer for buyers to adapt to price (increase) losses. Third, a strong relationship facilitates a simplified buying process and acts as shelter against adverse economic environments.

Profitability of buyers in relaxed state is almost twice as high as in vigilant state. Proposed policy balances two forces: (1) lowering prices to win business and keep buyers in relaxed state and (2) increasing prices to maximize margins and avoid lowering internal reference prices.

This research offers B2B sellers a comprehensive decisions framework to manage their buyer base using dynamic price targeting. There is substantial value in leveraging B2B relationships to implement value-based, first-degree intertemporal price discrimination.

Ingenbleek, Frambach, & Verhallen (2010), The Role of Value-Informed Pricing in Market-Oriented Product Innovation Management, Journal of Product Innovation Management, 27(7), 1032-1046.

General Topic: Role of value-informed pricing in relationships. Value-informed pricing = a pricing practice in which decision makers base price of new product on customers' perceptions of benefits that product offers and how these benefits are traded by customers against price (that has yet to be determined). Pricing mistakes can hit hard on profitability of product innovations, firms must have good understanding of its role.
Market orientation = implementation of marketing concept in organization through orientations to customers and competitors. In efforts to understand the market orientation-new product performance relationship, the role of pricing is overlooked.
Pricing practice in which firm bases price on customer value information = value-informed pricing; customer value information enables managers to asses how customers perceive relative advantages of product and how they will trade these advantages against price.

Goal Paper: Develop framework in which value-informed pricing is integrated in relationship between market orientation and new product performance.

Conclusion: Value-informed pricing is a strong mediator in market orientation-new product performance relationship. The paper suggest that customer orientation should be deployed to strengthen not only product advantage but also value-informed pricing, that competitor orientation should not be at forefront of these processes, and that in functional coordination should integrate value-informed pricing in new product development process.

- Market orientation and value-informed pricing: customer orientation is central not only in creating benefits for customers in product innovation, but also in determining value-informed prices.
- Value-informed pricing and new product performance: value-informed pricing influences new product performance in two ways (1) it has direct impact on market performance; generates appropriate behaviours in price decision making to understand customer value perceptions of new product and thus customer's purchase decisions (2) enhances performance through increased advantage of product. Value-informed pricing cannot increase profits without increasing market performance indicators such as customer satisfaction, retention and word of mouth.
- Role of Interfuctional coordination: enactment of customer orientation in value-informed pricing doesn't require interfunctional coordination.
- Implications for business practice: provides three important implications for firms engaged in marketing new products: (1) managers who seek to increase market performance should not only pay careful attention to their superiority in terms of customer benefits offered, but should explicitly consider pricing of innovations in terms of value offered (2) market-oriented firms, especially customer-oriented firms, are in better position to engage in value-informed pricing and to create a distinctive new product advantage. By doing so they boost their market performance relative to less market-oriented firms. (3) It is beneficial for firm to increase level of interfunctional coordination, enabling managers to align pricing of new product with the specific benefits it offers.

High-performing, market-oriented firms truly mirrors its customers in that its customer orientation is at forefront of market-oriented culture. Pricing is capability that requires resources and coordination, customer orientation is central resource for value-in-formed pricing and pricing requires coordination within new product development process.
Positioning concept of value=informed pricing within market-orientation-new product performance relationship, thus enhancing insight into how market-oriented innovators can be superior performers.

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<u>Lecture 4, Papers 9-10</u>
Sales & Channel Management
Sa Vinhas & Heide (2015), Forms of Competition and Outcomes in Dual Distribution Channels: The Distributor's Perspective, Marketing Science, 34(1), 160-175.

General topic: Dual distribution channels in business-to-business markets. Firms rely on complex channel designs that combine direct (manufacturer-owned) and indirect (independent) routs to market. These dual or 'concurrent' channels are rapidly becoming the rule rather than exception.

- Dual distribution = simultaneous use of direct and indirect channels to sell particular product line to final business users in given geographical territory.

Goal: Examine how different forms of competition with a manufacturer-owned channel impact distributor opportunism and distributor's end customers from distributor's perspective. Highlight complex processes that characterize dual distribution systems. It is important to understand specific ways in which distributers experience dual systems. Specific focus is on how competition from manufacturer's direct channel in B2B setting manifests itself to distributor, and resulting distributor responses.

Results: Dual channels may cause negative reactions from distributors that impact their support for manufacturer's product and, ultimately, their customer.

- Opportunism = 'self-interest seeking with guile'.

Competition between channels is capable of supressing distributor opportunism or may promote distributor opportunism; outside options that involve sunk costs create sense of entitlement on investor's (manufacturer's) part; recoup costs by opportunistically seeking better outcomes in current (distributor) relationship → creates vulnerability for distributor → triggers opportunistic behaviour.

Conclusion: Dual channels that combine a company sales force with independent distributors are increasingly common; what problems does dual system create for distributor? Complex pattern of effects involving distributor as well as her final customers.

- Competition between two channels has direct and negative consequences for distributor, to the point of promoting opportunism.
- Competition for customers/functions can benefit distributor's end users until certain point.
- Competition has potential to provoke potentially dysfunctional actions.
- Manufacturer's involvement in customer-centred distribution functions is capable of inducing opportunism; raises distributor concerns.
- Importance of accounting for differences among channel types when considering effects of competition.
- Managerial implications: distributors must (1) carefully consider specific implications of representing manufacturers that rely on dual channels, (2) encourage focal manufacturer to actively reduce competition.
- Distributors who are part of dual channels must adopt balanced and nuanced view of competition that accounts for (1) particular sources, and (2) effects different channel levels.

Three forms of competition five rise to distributor opportunism: (1) firm's investment in 'outside option' in a relationship may trigger partner opportunism, (2) competition for customers and manufacturers involvement in certain distribution functions impacts distributor's end customers and their satisfaction level (3) manufacturer's channel management efforts, or attempts to create vertical separation between channels by clarifying order ownership process, reduce competition. Vertical separation has negative impact on end customer satisfaction. Overall pattern points to many different ways in which dual channel arrangement manifests themselves across channel levels.

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Relationship Management
Palmatier, W., Dant, Rajiv P. and Grewal (2006),Factors Influencing the Effectiveness of Relationship Marketing: A Meta-Analysis, Journal of Marketing, 70 (October): 136-153.

General Topic: Relationship Marketing (RM) positively affects performance. It has large direct effect on seller objective performance, which implies that additional mediated pathways may explain impact of RM on performance.

- RM = all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges. RM efforts generate stronger customer relationship that enhance seller performance outcomes, including sales growth, share, and profits.

Goal: Understand better the RM strategies that are most effective for building string relationships, the outcomes that are most affected by customer relationships, and the conditions in which RM is most effective for generating positive seller outcomes.

- Which RM strategies are most effective for building customer relationships?
- Which outcomes are most affected by customer relationships?
- Which moderators are most effective in influencing relationship-outcome linkage
- How does the RM strategy → mediator → outcome linkage vary across different mediators?

Results: Objective performance is influenced most by relationship quality (composite measure of relationship strength) and least by commitment. RM is more effective when relationships share more critical to customers (e.g. service offerings, channel exchanges, business markets) and new relationships are built with an individual person rather than selling firm (could explain mixed effects between RM and performance in previous studies). The effectiveness of RM efforts may vary depending on specific RM strategy.

Conclusion: RM strategies and antecedents have wide range of effectiveness in terms of generating strong relationships, through specific strategies appear to be most effective for strengthening specific aspects of relationships. Overall, expertise and communication are the most effective relationship building strategies across all elements. Objective performance is influenced most by relationship quality and least by commitment. The large, direct effects of dependence and relationship investment on seller objective performance in causal model suggest that these antecedents influence performance through alternative, mediated pathways.

TABLE 6
Summary of Key Findings and Implications

Key Findings	Research and Managerial Implications
Antecedents	
Relationship marketing strategies/antecedents have a wide range of effectiveness for generating strong relationships. Expertise and communication are most effective, then relationship investment, similarity, and relationship benefits; dependence, frequency, and duration are relatively ineffective.	Selection and training of boundary spanners is critical; expertise, communication, and similarity to customers are some of the most effective relationship-building strategies. Expertise's impact supports Vargo and Lusch's (2004) premise that "skills and knowledge" are the most important seller value-creation attributes.
The negative impact of conflict is larger in magnitude than the positive effect of any other RM strategy.	All proactive RM efforts may be wasted if customer conflict is left unresolved.
Specific RM strategies appear most effective for strengthening one aspect of a relationship. Relationship benefits, customer dependency, and similarity are more effective for increasing commitment than for building trust; the opposite is true for relationship investment and frequency.	Relationship marketing may be improved through a fine-grained approach that targets specific relational weaknesses. The relative effectiveness of RM strategies depends on the relational mediator investigated.
Outcomes	
Relationship quality (a composite measure of relationship strength) has the greatest influence on objective performance, and commitment has the least.	No single relational mediator captures the full essence or depth of a customer–seller relationship; the findings support a multidimensional perspective of relationships. Extant research focused on a single relational mediator may provide misleading guidance.
Surprisingly, relationship investment has a large, direct effect on seller objective performance, in addition to its frequently hypothesized indirect mediated effect.	The classic mediating model of RM (Morgan and Hunt 1994) should be adapted to include alternative mediated pathways (e.g., reciprocity).
Dependence has a large, direct effect on seller objective performance but a relatively small impact on relational mediators.	Dependence is not an effective relationship-building strategy but can improve performance in other ways, possibly by increasing switching costs and barriers to exit.
Of all outcomes, relationships have the greatest influence on cooperation and WOM and the least on objective performance.	Relationship marketing efforts may be effectively extended across many other nontraditional buyer–seller interactions (e.g., interdepartmental groups) for which cooperation is often critical for success. Word-of-mouth behaviors may be the best discriminator of true customer loyalty (Reichheld 2003).
Moderators	
Relationship marketing is typically more effective when relationships are more critical to customers, such as for (1) service versus product offerings, (2) channel versus direct exchanges, and (3) business versus consumer markets.	Researchers must take care when extending findings across contexts in which relationship importance may vary. Managers might target RM expenditures to customer segments with the highest desire for strong relationships to improve returns.
Customer relationships often have stronger effects on exchange outcomes when their target is an individual person than when it is a selling firm.	Researchers should differentiate the effects of customer relationships with boundary spanners from those with firms. Strategies such as team selling, salesperson disintermediation, and the use of call centers should be evaluated in light of the impact of interpersonal relationships.

<u>Lecture 6, Papers 11-12</u>

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Jeuland and Shugan (1983), Managing Channel Profits, Marketing Science, 2 (3), 239-272.

General Topic: Problems inherent in channel coordination, the problem of coordinating channel decisions. Each channel member influences other channel members' decisions → structure of institutional arrangements of marketing.

Goal: The following questions are addressed:
- What is the effect of channel coordination?
- What causes a lack of coordination in the channel?
- How difficult is it to achieve channel coordination?
- What mechanisms exist which can achieve channel coordination?
- What are the strengths and weaknesses of these mechanism?
- What is the role of nonprice variables (e.g. manufacturer advertising) in coordination?
- Does lack of coordination affect normative implications from in-store experience?
- Can quantity discounts be a coordination mechanism?
- Are some marketing practices actually disguised quantity discounts?

Provide model that deals with important aspects of manager's decision.

Results: Each channel member wants its partner to cooperate, but doesn't want to cooperate himself. Lack of coordination leads to self-satisfying behaviour → increases product's price while lowering its quantity. Manufacturer and retailer should cooperate.

Mechanisms for coordination:
- Joint ownership: vertical integration. Both channel members agree to cooperate.
- Simple contracts specifying each member's decision variables → control is relegated to centralized authority.
- Implicit understandings.
- Profit sharing: quantity discounts provide excellent mechanism for profit sharing.
- Quantity discounts: price varies with quantity. Improvement over simple contracts which include fixed conditions. Discounts are incentive to go to channel optimum. Thus, discounts are flexible stable. Quantity discount schedule = mechanism for transfer pricing within firm.

Conclusion: Unless each member can be assured of other's cooperation, coordination isn't easy to achieve. Channel coordination is fundamental problem which occurs in all channels and is caused by fundamental interdependencies in vertical channel structure; gives following conclusion:
1. Without channel coordination, marketing effort will be smaller than optimum.
2. Achieving channel coordination can be difficult → mechanisms for coordination.
3. Many channel phenomena (e.g. integration, contracts, etc.) may be implicit coordinating mechanisms.
4. Joint ownership and fixed-price contracts = inadequate for coordination.
5. Quantity discounts = optimal means for achieving coordination.
6. Quantity discounts can take form of other marketing phenomena.
7. Quantity discounts is method of profit sharing.
8. Channel coordination issues can be separated from profit division issue, although they are related decisions.
9. Coordinated channel will make retail/manufacturer margins appear to be low.
10. Coordination will lead to lower margins, higher levels of marketing effort, lower retail prices and larger total channel profits.

Leider and Lovejoy (2016), Bargaining in Supply Chains, Management Science, 62 (10), 3039-3058.

General Topic: Experimental bargaining in multiple-tier supply chain with horizontal competition, and sequential bargaining between different tiers. The focus is on measuring how underlying costs influence efficiency, negotiated prices, and profit distribution across supply chains.

Goal: Will efficient firms become more active in final contracts? What will the distribution of profits be throughout chain? Are these results consistent with theory?

Results: Supply chain efficiency is always high, but in bargaining experiments a higher level of non-closure that expected is found. Horizontal competition significantly influences distribution of profits within supply chain. Profits will decrease as horizontal competition increases in a tier. Structural issues dominate individual characteristics in determining these outcomes. Balanced principle solution explains this. In bargaining dynamics a significant anchoring effects is found, without first-mover advantage. No relationship between when deal is struck and final prices. Actual sequence of bids leading to closure largely follows intuitive path. Anticoncessionary tactics tend to be effective when used by seller-firms. There also is psychological construct that grants buyer position of power unexplained by structural characteristics.

Conclusion:

1. Profits are influenced by the degree of horizontal competition in each tier, in a manner consistent with balanced principle model of supply chain negotiated prices.
    a. Profits increase with less competition and vice versa.
2. Profits depend significantly on competitive realities in a remote tier.
3. Deviations from predicted outcomes tend to result in more equitable distributions of wealth, where one of parties does not extract all value that it could demand theoretically.
4. State 2 negotiations can benefit from leader-follower (LF) as well as from Balanced Principle (BP) predictions.
5. The cost profile in chain dominates personal negotiator characteristics (e.g. risk aversion, altruism) in influencing outcomes.
6. Bargaining strategies of individuals have significant impact on bargaining outcomes.
7. Initial offers may serve as anchors that significantly affect final price agreement.
8. Sell-side firms who choose to make anti-concessionary offers achieve significantly higher prices without compromising closure rates.
9. Buy-side firms seem to be granted degree of deference that is not uniformly supported by cost-profiles, which may be cognitive feature.