

Mutual Value in Business Relationships

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INTRODUCTION

Relationship marketing evolves both in quantity and quality, as we can tell from the continuous incorporation of new constructs, models and technologies, the myriad of applications in different contexts, and the interaction with other marketing and management areas. Concepts and processes in relationship marketing continue to mature significantly with the help of developments made in other research fronts. In this sense, the concept of *value* as communicated by authors in the field (e.g., Hogan, 2001; Möller & Törrönen, 2003) brought light to the problem of relationship assessment, if we agree that value creation is critical for companies working together in a business relationship (Walter et al., 2001); thus, value creation must be the starting point for companies and customers to assess their relationships.

The concept of value is very important in marketing. Indeed, many studies focus on what constitutes value, as well as on the alternatives and mediating factors for value creation (Menon et al., 2000; Ulaga & Eggert, 2001; Walter et al., 2001; 2002b). The relevance of the subject can be also established from the amount of academic papers devoted to it, including special issues of *Journal of the Academy of Marketing Science* (volume 25, 1997) and *Industrial Marketing Management* (volume 30, 2001)—the latter oriented to the business market.

Recent endeavors tried to develop value within business relationships (e.g., Ulaga & Eggert, 2001; Walter et al., 2001; 2002b; 2003; Möller & Törrönen, 2003). However, with the exception of works like that of Walter et al. (2001), it is common to address only the customers' perception and define the costs in a relationship according to an exclusively financial perspective. In contrast, the present research assumes that in business

relationships value is created by both the company and its customers, and thus should be assessed bilaterally. We propose that the construct *relationship value* is an outcome of a particular function that takes as input the value for the customer *and* the value for the company; it cannot be computed from assessments made by only one of the dyad's actors. Moreover, the focus on the dyad and on the interaction between the two actors enables the development of a richer understanding about the exchange relationship than that of focusing solely on one actor and its environment (Smith, 1999).

Marketing researchers are aware of the benefits inherent to adopting a dyadic perspective for a full appraisal of the nature and the dynamics of business relationships (Smith, 1999). For the sake of illustration, the following remarks put in evidence the importance that value assumed in marketing over the last years, mostly in what comes to framing the business relationships:

- Both in practice and in academic research, *customer value* emerged as a critical factor for achieving the organizational goals and managing the relationships (Menon et al., 2000)
- The lack of scientific investigation makes it difficult to assess value creation in business relationships (Walter et al., 2001)
- Customer value is critical in relationship marketing; in fact, delivering superior value for customers is the key to create and sustain long-term industrial relationships (Ulaga & Eggert, 2001)
- New theories are needed for the role of value in business relationships (Hogan, 2001)
- Value and perceived value receive considerable attention in the literature on more comprehensive themes such as price, customer behavior, and marketing and business strategies (Möller & Törrönen, 2003)

- The primary idea is that through mutual investments and adaptations, the seller and the buyer are likely to design products and processes that are more effective than the currently available solutions, or improve the relationship's efficiency (Möller & Törrönen, 2003).

Starting with a literature review on costs and benefits for the company and for the customer, this article conceptualizes value in business relationships according to a dyadic perspective. Essentially, the endeavor is aimed at providing evidence for the following assumptions: (1) understanding the creation of value in business relationships is important for companies and customers alike and must reflect as accurately as possible the phenomenon, thus reducing the role played by the individual biases; (2) the assessment of value in a relationship enables one to better estimate the supplier's actual performance, as well as to identify the factors to be improved for delivering superior value for the customer; and (3) the dyadic perspective can be further extended to address inter-organizational relationships and marketing channels.

VALUE IN BUSINESS RELATIONSHIPS

Over the last years, there has been an increasing interest in creating value in business markets, where customers acknowledge products and services from a particular supplier in order to improve their own offers and increase profitability (Ulaga, 2001). In this sense, the importance of relationships for value creation was identified (Walter et al., 2001), and the means by which a relationship creates value for a company started to be explained (Hogan, 2001). With customers in mind, Ulaga and Eggert (2001) say that value is essential for relationship marketing; the delivery of value is indeed the key to creating and maintaining long-term industrial relationships.

The emphasis on relationships drives researchers to devote attention to the conceptualization and measurement of value (Hogan, 2001). According to Ulaga (2001), research on value in the business marketing has been oriented by the assessment of how suppliers create value for their customers, and of how customers acknowledge superior value in offers from a supplier comparatively to its competitors—this is the *buyer perspective*. Ulaga (2001) also puts that attracting and

retaining customers represents the major perspective for customer value, which conceives the customer as an important asset for the company—this is the *seller perspective*. Finally, the author emphasizes that companies are organized as networks, and within them they create value jointly across relationships, partnerships, or alliances—this is the *buyer-seller perspective*. Despite the three perspectives, value in business-to-business relationships is obsessively anchored to the customer's view and expectations.

Value can be defined as a trade-off between multiple benefits and sacrifices (throughout this article also termed “costs”) experienced across relationships with customers (or suppliers), as perceived by a customer (or a supplier), according to Walter et al. (2001; 2002a). Value is “what a customer gets in exchange for the price it pays” (Anderson & Narus, 1998, p. 54).

Recently, works like those of Möller and Törrönen (2003) and of Walter et al. (2001; 2002a; 2002b; 2003) developed the construct *value creation in relationship* for both a customer and a supplier perspective. In terms of direct and indirect functions of business relationships, the authors described the process of value creation and provided metrics and guidelines for the management of relationships. The model, originally developed and validated for the customer perspective, was later applied with success to the supplier perspective by Walter et al. (2001). The model for the supplier includes:

- **Direct functions:** Company activities and resources that create value for the relationship, independently of other relationships and including a *profit function* (profit flux from the customer to the supplier), a *volume function* (quantity of products demanded by the customer, often in contrast to the profit it generates), and a *safeguard or protection function* (guarantee of business levels and returns through contractual agreements with the customer)
- **Indirect functions:** Effects inter-related in the future and/or in other relationships and including a *development innovation function* (possibility of product and process innovation with the customer), a *market function* (directions and references for the company to join new markets and/or establish relationships with other actors), a *scout function* (access to marketing and environment information from the customer), and an *access function* (a customer's experience in dealing with

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