"Exploratory Study of Internet Buyer-Seller Relationships"

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Purpose of Research

◆ Explore how the Internet modifies the way that companies do business specifically with regards to changes in buyer-seller relationships.

◆ Define basic elements of Internet relationship marketing, specifically the relationship marketing constructs of trust, relationship benefits, commitment, power and communication.

◆ The Internet provides a new aspect in relationship marketing that will likely challenge previously developed paradigms.

The Internet

◆ Reduces barriers once roadblocks to new markets, resources, and competitive positioning. Although businesses vary greatly, their goals are often the same: to find new customers; new sources of profit; and new ways of doing business in a global marketplace (Lewis, 1994).

◆ The Internet levels the playing field as it allows bantam firms to be as visible and accessible as colossal firms. (Blotzer, 1995).

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Internet Use and Access

U.S. & Canada

	Internet Access	Planned
Large Companies (over 1,000 employees)	51%	15%
Medium Sized (101-999 employees)	25%	17%
Small Companies (Less than 100 employees)	35%	20%

◆ The primary use by businesses of the Internet is for Intranets or Internet types of networks wholly contained within companies.

(O'Reilly & Associates, 1995)

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Comparison of Relationship Marketing Models

◆ twenty-six possible constructs previously identified in the literature

◆ four broad categories represent the narrowest realm within which relationship-marketing paradigms have been examined

- measurable outcomes

- inter-organizational bonds

- trust

- power issues

Measurable Outcomes

◆ Several constructs have been used to measure an outcome, usually, with a quantifiable term

- Relationship outcome

  (Anderson and Narus, 1990; Dwyer, Schurr, and Oh, 1987; Mohr and Spekman, 1994; and Wilson, 1995)

- Relationship termination costs

  (Morgan & Hunt, 1994; Bucklin & Sengupta, 1993; Ganesan,1994; Zaheer & Venkatraman, 1995)

- Perceived effectiveness/performance

  (Mohr & Spekman, 1994; Bucklin & Sengupta, 1993; Lusch,1976; Etgar, 1976; Boyle & Dwyer, 1995)

- Propensity to leave (Morgan & Hunt, 1994)

- Satisfaction (Mohr & Spekman, 1994; Mohr, Fisher & Nevin, 1996; Anderson & Narus, 1990; Rosenberg & Stern,1971; Dwyer, 1980; Wilinson, 1981; Ganesan, 1994; Walker, 1972; Brown & Frazier, 1978; Hunt & Nevin, 1974; Lusch, 1977; and Michie, 1978)

- Relationship benefits (Morgan and Hunt, 1994)

Inter-organizational Bonds

◆ The facilitators of the relationship between organizations that make the outcomes possible

- Communication (Morgan & Hunt, 1994; Mohr & Spekman, 1994; Mohr, Fisher & Nevin, 1996; and Anderson & Narus, 1990)

- Commitment (Morgan & Hunt, 1994; Mohr & Spekman, 1994; Bucklin & Sengupta, 1993; Zaheer & Venkatraman, 1995; Mohr, Fisher & Nevin, 1996; and Ganesan, 1994)

- Cooperation (Morgan & Hunt, 1994; Mohr & Spekman, 1994; Mohr, Fisher & Nevin, 1996; and Anderson & Narus, 1990)

- Dependence (Mohr & Spekman, 1994; Anderson & Narus, 1990; Ganesan, 1994; Etgar, 1978; and Phillips, 1981)

- Process and structure (Zaheer and Venkatraman, 1995)

- Shared values (Morgan & Hunt, 1994; Bucklin & Sengupta, 1993)

Trust

- ◆ Trust is an affective attribute carried by the members that facilitate the relationship between organizations

- ◆ Trust requires a *leap of faith* by parties in a relationship

- ◆ Firms unwilling to make a *leap of faith* without the reassurance of social bonds, personal relationships, or reputation will not be as likely to engage in an Internet marketing relationship

Power Issues

◆ Power, as a global construct, is the ability to compel compliance (Morgan & Hunt, 1994; Bucklin & Sengupta, 1993; Etgar, 1978; Etgar, 1976; Phillips, 1981; Walker, 1972; Wilkinson, 1981; Boyle & Dwyer, 1995; Brown & Frazier,1978; Wilkinson,1974; Lusch & Brown, 1982; and Hunt & Nevin, 1974)

◆ Coercive power, the ability to compel compliance by means of threats, legalistic pleas and promises (Lusch, 1976; Etgar, 1976; Etgar, 1978; Boyle & Dwyer, 1995; Brown & Frazier, 1978; Wilkinson, 1974; Wilkinson, 1981; Lusch & Brown, 1982; Hunt & Nevin, 1974; and Lusch, 1977)

◆ Non-coercive power, the ability to compel compliance by means of requests, information exchange, and recommendations (Lusch, 1976; Etgar, 1976; Etgar, 1978; Boyle & Dwyer, 1995; Brown & Frazier, 1978; Wilkinson, 1974; Wilkinson, 1981; Lusch & Brown, 1982; Hunt & Nevin, 1974; and Lusch, 1977)

Internet Relationship Constructs

◆ Initial objective was to test traditional relationship constructs in an Internet context

◆ To specify a parsimonious model without overlapping constructs, one construct was taken from each category

◆ Believing that inter-organizational bonds would be more difficult to capture, two were chosen: communication and commitment

◆ Five attributes: trust, commitment, communication, power, and relationship benefits

Trust

◆ The Internet does not facilitate many of the cues such as social bonds, personal relationships and reputation that firms have relied upon as a basis for the formation of trust in relationships.

◆ In traditional relationships, trust permits the waving of formal contractual agreements.

◆ Trust among Internet marketing relationship partners may be fortified by the existence of an electronic trail.

Commitment

◆ Commitment to an Internet marketing relationship may be characterized by partners exchanging passwords for accessing proprietary or sensitive information.

◆ Establishing Intranets between partners would show increase commitment to the relationship, as would the adoption of compatible software programs.

Relationship Benefits

◆ Firms seek products, processes, and technologies that add value to their offerings in an effort to remain competitive

◆ Firm's engaged in Internet marketing activities will need to actively maintain and enhance their product offerings and keep pace with technological advances

◆ Increased transaction specific investments by a partner firm can be a type of relationship benefit that enhances the relationship commitment.

Communication

◆ The Internet is notorious for informal communication exchanges. The informality may facilitate more rapid responses between parties.

◆ E-mail, chat rooms, computer conferencing and bulletin boards are various methods used to facilitate participation and feedback .

◆ E-mail may increase the credibility and accuracy of information exchanged, as it hastens response time and is easily forwarded.

Power

◆ Power is the ability of a firm to influence the actions of another

◆ Between Internet marketing partners power is manifested as the extent to which partner firms offer technical and sales support, extent to which information is shared, extent to which recommendations are followed, and pricing considerations are made by partner firms

Research Context

◆ A cross-section of businesses that currently have home pages on the Web were targeted

◆ Initially, 4,202 manufacturer or distributor home pages were targeted.

◆ 1,540 additional home pages that were providers of commercial services were included in the target group.

Survey

◆ Sent an introductory letter and a copy of the survey to which they could respond electronically and return via e-mail

◆ Firms not listing an e-mail address were excluded from participation in this survey.

◆ A preliminary series of questions was used to assess the intent and extent to which firms are using the Internet in their marketing efforts.

◆ Firms were asked to respond to a series of questions based upon an Internet relationship they had with another business defined as an *Internet Partner*.

Internet Partner

An *Internet partner* was defined as a firm with which the responding firm engaged in any of the following relational activities:

   a) initiated relationship through a home page, bulletin board, news group or search engine;

   b) routinely use e-mail or bulletin boards to communicate;

   c) use e-mail, home page or bulletin board to post products, prices, technical information, specifically for another firms' access; or

   d) developed an Intranet to facilitate a marketing exchange relationship

Data Collection

- Data collection lasted four weeks

- Response rate - 2.9% (168 out of 5,742)

- Only 123 or 2.1% of returned surveys provided complete information and used in final analysis

- Low response rate is, at least in part, attributable to a couple of identifiable reasons:

    a) e-mail messages are easily deleted by recipient without a second opportunity for consideration; and

    b) few firms are yet using the Internet to the extent in which they have an *Internet Partner* (Fontenot and Vlosky 1997).

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Findings

◆ Most businesses have adopted the use of the Internet only recently.

◆ 69.9% listed manufacturing as their primary industry;

◆ 74.8% reported 1995 revenues between $1 Million-$50 Million;

◆ 71.5% reported having fewer than 100 employees

Hypotheses Tested

HYPOTHESIS	CONST. CORR.	DIRECT AS H_o	SIG. AT ALPHA= 0.05	SIG. AT ALPHA= 0.01	P-VALUE
H_1: There is a positive relationship between relationship benefits and relationship commitment among Internet marketing partners.	0.466	YES	----	YES	0.000
H_2: There is a positive relationship between communication and relationship commitment among Internet marketing partners.	0.735	YES	----	YES	0.000
H_3: There is a positive relationship between communication and trust among Internet marketing partners.	0.619	YES	----	YES	0.000
H_4: There is a positive relationship between trust and relationship commitment among Internet marketing partners.	0.457	YES	----	YES	0.000
H_5: There is a negative relationship between power and relationship commitment among Internet marketing partners.	0.208	NO	YES	NO	0.021
H_6: There is a negative relationship between relationship benefits and power among Internet marketing partners.	0.302	NO	----	YES	0.001
H_7: There is a negative relationship between power and trust among Internet marketing partners.	0.141	NO	NO	NO	0.121

Summary Comments

◆ In traditional business-to-business relationships, relationship benefits have been positively associated with commitment, and post-hoc hypothesized to be associated with power (Morgan and Hunt, 1994).

◆ This study provides support to the former and contradictory results for the latter relationship between Internet marketing partners

◆ Communication has been previously found be positively related to trust (Morgan and Hunt, 1994; Anderson and Narus, 1990), a finding supported in this study

Summary Comments

- With anything that is new, as is the Internet, it is reasonable to assume that the early adopters respond differently than those that adopt technologies and processes later.

- Early adopters are limited in their ability to respond with the same experience and knowledge that comes with time.

- Internet respondents to this survey have often not had the time to establish, cultivate, and maintain marketing relationships that typify the responses to surveys of traditional marketing relationships.

- Other elements may also compound the results of this survey

Future Research

◆ Further exploration of existing relationship marketing paradigms in the Internet environment.

◆ Development of multi-dimensional constructs.

◆ Replication at future time periods to gauge rate of technology adoption and effects on relationships.