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## **Institut für Marktorientierte Unternehmensführung**

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### **Determinants of Customer Benefits in Business-to-Business Markets: A Cross- Cultural Comparison**

Mannheim 2005

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## Abstract

The authors examine the concept of customer benefits in business-to-business markets within an international context. They make a distinction between core and add-on benefits. Product quality, service quality, flexibility, trust, joint action, and commitment of the supplier are discussed as determinants of these customer benefits. Analysis is based on 981 respondents in two countries. Results give support for the importance of the determinants for providing customer benefits. Furthermore, significant cultural differences could be observed with regard to the impact of different determinants on perceived customer benefits. Managerial implications, research limitations and directions for future research are presented following a discussion of the results.

## Table of Content

<b>1. Introduction .....</b>	<b>1</b>
<b>2. Conceptual Development: Determinants of Customer Benefits .....</b>	<b>4</b>
<b>3. Hypotheses on Cultural Effects .....</b>	<b>11</b>
<b>4. Methodology .....</b>	<b>16</b>
4.1. Sample and Data Collection .....	16
4.2. Measure Development and Assessment.....	18
<b>5. Data Analysis .....</b>	<b>21</b>
5.1. Results .....	21
5.2. Results on Main Effects.....	22
5.3. Results on Country Effects.....	22
<b>6. Discussion .....</b>	<b>24</b>
6.1. Research Issues.....	25
6.2. Managerial Implications.....	26
6.3. Limitations and Suggestions for Future Research.....	27
<b>Appendix .....</b>	<b>37</b>

## 1. Introduction

Managerially it is of utmost importance to understand how value for customers can be created and offered (see, for example, Anderson and Narus 1999a). Therefore, both in practice and academic research, the issue of customer value has emerged as critical for the successful management of customer relationships. Anderson and Narus (1998, 1999a) indicate that focusing on customer value is also the basis for establishing enduring *business-to-business relationships*. However, increasingly international markets not only create opportunities but also challenges for companies in business-to-business markets. More open and integrated markets make it more complex to understand what drives customer value and, furthermore, to what extent culture impacts value creation. Indeed, when customers are located in multiple countries, companies need to be responsive to local cultures (Bower 2005).

Regardless of where the transaction takes place, the value derived from a relationship is evaluated on the basis of the benefits received compared to the cost incurred (Parasuraman 1997; Woodruff 1997; Zeithaml 1988). For companies to be globally competitive, delivering appropriate customer benefits is essential (Day 1990). However, the formation and perception of benefits differ greatly among cultures (Sinha and DeSarbo 1998). Therefore, in a global context, delivering benefits requires the understanding of benefits within the context of national character differences (Hofstede 1980; Money, Gilly, and Graham 1998).

The perception of benefits is shaped by a self-reference criterion (Anderson, Jain, and Chintagunta 1993; Hofstede 1980). Therefore, international marketers need to understand the influence of this self-reference criterion with respect to national culture differences (Deshpandé, Farley, and Webster 2000). Such differences have also been known to influence marketing strategies in the global setting (Clark 1990). In fact, Doney and Cannon (1997) have called for more research investigating the role of national culture on buyer-seller relationships in general. Prior cross-cultural studies in marketing focused on varying issues, for example, advertising (Alden, Hoyer, and Lee 1993), product development (Nakata and Sivakumar 1996), fairness (Kumar, Scheer, and Steenkamp 1995b), organizational culture (Deshpandé, Farley, and Webster 2000), or innovativeness (Steenkamp, Hofstede, and Wedel 1999). However, cross-national differences in business-to-business marketing management

decisions have been largely neglected. Moreover, most studies involving customer benefits have been in the consumer behavior literature or in service marketing (e.g., Babin, Darden, and Griffin 1994; Lai 1995). Conceptualizations distinguish, for example, core from interactive aspects of service (Grönroos 1984, 1988; Crosby and Stephens 1987) and technical, economic, service, and social benefits (Anderson and Narus 1998, 1999a).

While cross-cultural studies have been undertaken with due diligence, surprisingly, the core issue of international business relationships - the benefits and the influence of cultural differences on perceptions of these benefits - have been largely ignored. After all, a customer receiving little benefit from a supplier will switch to another supplier who offers more benefits (Grönroos 1997; Sinha and DeSarbo 1998). Additionally, Hooley and Saunders (1993) state that "customers are less interested in specific features of a product or service than in what kind of benefits they get from buying, using, or consuming it" (p. 13). Customer benefits together with customer costs determine customer value (e.g., Zeithaml 1988). Thus, an in-depth understanding of the factors driving customer benefits is key to delivering value to customers. The importance of customer value has, for example, also been highlighted by Webster (1992) who wrote that "customer value must be the central element of every business strategy" (p. 22). In summary, delivering high customer benefits is a major success factor in business-to-business relationships.

However, in this study we are taking a more in-depth view of the benefit construct and define it in its multidimensionality. Research shows that we need to distinguish core benefits and add-on benefits (see, for example, Grönroos 1997, Thompson 1998). As later defined in more detail, core benefits result from satisfying must-have needs in buyer-seller relationships and add-on benefits can be established by offering additional attributes, typically not required (akin to the value-added concept). Add-on benefits very often help the supplier to differentiate itself vis-à-vis other firms. Offering core-benefits is seen as a prerequisite for establishing a relationship in the first place. Therefore, it is not only important to understand the factors that shape perceptions of benefits received in a relationship (Sinha and DeSarbo 1998). It is essential to find out what drives the perceptions of core benefits and add-on benefits, as by offering core-benefits suppliers earn a place in the consideration set of their customer and offering add-on benefits helps them to differentiate their offer. Furthermore, in

the intensely competitive global marketplace, commercial buyers and sellers are often separated by geography and culture. Factors shaping the perceptions (of these benefits) include market development, access to global competitive offerings, national norms, and expectations shaped by national culture, among others. Therefore, in this study, we do not only focus on determinants of benefits but also on national culture and its impact on the perception of benefits. Assessing how benefit perceptions are culture-ideosyncratically developed will help suppliers to evaluate global differentiation potential and obtain a basis for global market segmentation. Against this backdrop, the purpose of our paper is (1) to identify the determinants of customer benefits in a business-to-business context and (2) to investigate whether cultural has an impact on the determinants of customer benefits.

This paper is organized as follows: First, we will develop the conceptual framework of this research, discuss the determinants of customer benefits in business markets and the effect of cultural differences on the impact of these determinants. Next, we introduce the method used to test the developed hypotheses followed by a presentation of the results. We conclude with an interpretation of our findings, its research issues, implications for managers, limitations, and directions for future research.

## 2. Conceptual Development: Determinants of Customer Benefits

We conceptualize *customer benefits* as *the positive outcomes of a relationship for a customer*. Regarding customer benefits, we distinguish between *core* and *add-on* benefits (similar to, for example, Grönroos 1997). We differentiate between determinants of core benefits and determinants of add-on benefits in a relationship in order to analyze what is core to a relationship and what provides additional benefits (e.g., Dorsch, Swanson, and Kelley 1998).

*Core benefits* are defined as *the degree to which the supplier offers a set of minimum attributes required by an organizational buyer*. Thus, core benefits represent the basic aspects (Gale 1994; Woodruff 1997) and features of a relationship which Doney and Cannon (1997) call “order qualifiers”. Core benefits accrue from the delivery of “basic requirements” (Thompson 1998), “core value” (Grönroos 1997) or “core elements” (Anderson and Narus 1999a). In practical terms this refers to the supplier’s ability to deliver the required quantities, in the ordered quality on time or, for example, to post-sales service such as maintenance. For example, the minimum attribute for a global financial institution is the accuracy of bank statements issued and transfers conducted. A chemical company supplying polymer binders delivers core benefits to its customers in the paper industry by offering products with specific technical specifications so that paper mills can run without problems.

Add-on benefits go beyond these core attributes and we define add-on benefits as the extent to which a supplier provides attributes, typically not required, that assist a buyer in selecting a supplier from among a qualified set of potential suppliers. For the global financial institution an excellent and secure messaging service for its financial community may deliver add-on benefits. The chemical company has pilot plants at their customers’ disposal to simulate their own production process in order to test innovative products without risk. These add-on benefits are conceptually close to the “added-value” concept of providing more than the pure product or a core solution as has been suggested by Anderson, Hakanson, and Johanson (1994), Butz and Goodstein (1996) and Grönroos (1997). Especially this conceptualization has become more and more relevant in the literature in recent years (Anderson and Narus 1998, 1999a&b). Due to the fact that core features of products are becoming more

homogeneous in an intense competitive marketplace, companies have to differentiate their products from others in order to attract customers and create sustainable advantage (Anderson and Narus 1995; McMurrian and Wilson 1996). Here, the concept of add-on benefits evolved as the additional aspects and features of a relationship that distinguishes between suppliers and can be seen as thrill factors. Whereas the core benefit is a prerequisite for a business relationship, the add-on benefit is a criteria for differentiation vis-à-vis other competitors.

In identifying determinants of customer benefits, we focus on product, relationship and supplier characteristics. We see product characteristics to include the product quality and the service quality offered to the customer (Lapierre 1997a). We categorize the flexibility and the commitment of the supplier towards the relationship as supplier characteristics in our research. With respect to the relationship characteristics, we consider trust of the customer and joint action between the customer and the supplier. Trust has been found to be an integral part of business relationships (see Doney and Cannon 1997). In business marketing joint action arrangements have gained increasing prominence as business models (Heide and John 1990). For an overview of our conceptual model refer to Figure 1.

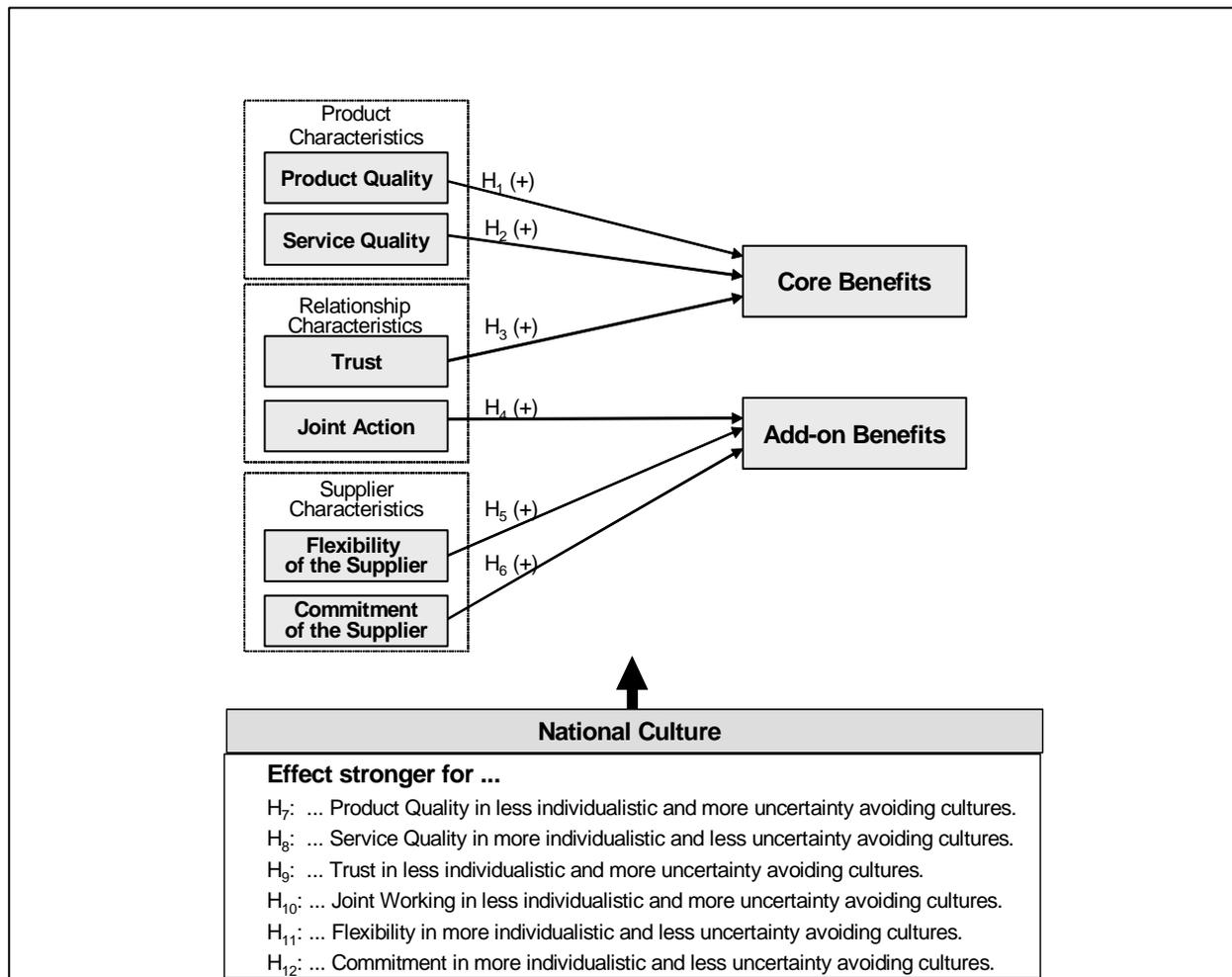


Figure 1: Conceptual Model

Product quality: We define product quality as the customer’s perception about the relative superiority of a supplier’s offering along relevant product dimensions (cf., Garvin 1987, 1988; Menon, Jaworski, and Kohli 1997; Zeithaml 1988). A high product quality offers numerous advantages for customers. High quality in a supplier’s product can increase the quality of the customer’s end product and can therefore help the customer build a premium image (e.g., Garvin 1988). An additional customer benefit derived from high product quality is the reduced risk in supplier selection (e.g., Qualls and Rosa 1995).

Organizations typically are unwilling to compromise on the quality level of the incoming products and consider these to be a criterion to qualify potential vendors (Dertouzos, Lester, and Solow 1989). This is akin to what Doney and Cannon (1997) refer to as “order qualifier”.

To even be included in a customer's consideration set, suppliers must provide the requisite level of product quality. Humphreys and Williams (1996) confirm this by stating that "customer-defined product reliability, conformance to standards ... are now considered minimum requirements for consideration" (p. 49). Marketers need to understand that providing a certain level of product quality is an important prerequisite for establishing successful business relationships. Thus, we argue that product quality is a core benefit expected by the customer. As such, the higher the level of product quality, the greater the core benefits perceived by the customer:

H<sub>1</sub>: The greater the product quality of the supplier, the greater the core benefits to the customer.

Service quality: We refer to service quality as the customer's perception of how well the delivered technical and business process matches customer expectations regarding the structure, the process, and the outcome of the service (Donabedian 1980; Zeithaml, Berry, and Parasuraman 1996). Several researchers have already highlighted that after sales and delivery services play an increasingly crucial role in the success of business-to-business relationships (Homburg and Garbe 1999; Mathe and Shapiro 1993). Services in business-to-business markets generally reduce the risk for buyers as they assist them in their business processes in multiple aspects, e.g. with maintenance or after sales services. Furthermore, product related service in the form of maintenance increases the durability of the products and therefore enhances product-life-time, which presents another benefit to customers. As such a supplier's service quality has become an integral part of the process of selecting a vendor. It has, in fact, become a prerequisite for establishing a business relationship. Also, providing services can help to smooth out the customer's business processes, which allows the customer to concentrate on core activities. In summary, service quality in a business-to-business context provides substantial benefits to customers.

In business-to-business relationships, organizations expect suppliers to provide this level of competent sales and after sales service that is essential to the proper functioning of the relationship and therefore is a core benefit of a relationship (Lapierre 1997a&b). A supplier, who cannot provide this expected level of product related service will not be in the

consideration set of the customer and will not get 'order qualified' (Doney and Cannon 1997). As service quality has become an important criterion in vendor selection, we propose:

H<sub>2</sub>: The greater the service quality of the supplier, the greater the core benefits to the customer.

*Trust:* We define trust as *the perceived credibility and benevolence of the supplier as viewed by the customer* (cf., Doney and Cannon 1997; Ganesan 1994; Kumar, Scheer, and Steenkamp 1995b). Trust captures the "firm's belief that another company will perform actions that result in positive outcomes for the firm, as well as not take unexpected actions that would result in negative outcomes for the firm" (Anderson and Narus, 1990, p. 45). Trust has been assessed to play a central role in interorganizational relationships (Doney and Cannon 1997; Morgan and Hunt 1994). Trust among parties in interorganizational relationships enables parties to focus on the long-term benefits of the relationship (Ganesan 1994) by enhancing competitiveness and reducing transaction costs (Noordewier, John and Nevin 1990). Research in the distribution channels context suggests that trust engenders a higher level of cooperation (Morgan and Hunt 1994), reduces conflict and increases satisfaction (Anderson and Narus 1990). In a competitive marketplace, when time and effort required to evaluate and qualify vendors is critical to the success of the firm, a trusted supplier affords reduced risk and search costs. In addition, as Frazier *et al.* (1994) suggest, trust among a buyer and seller allows for more open sharing of information and ideas that would be beneficial to both parties in serving their customers. In business-to-business settings, sharing of costs, profits, long-term goals, and objectives in order to improve the quality of the transaction to better suit the needs of the parties, is risky and therefore requires a high level of trust. Here, research suggests that trust reduces the perception of risk associated with opportunistic behavior, reduces transaction costs, and increases confidence in the supplier (Ganesan 1994).

Moorman, Zaltman, and Deshpandé (1992) show that information provided by a trusted party is used more and thus provides greater value to the recipient. Sako and Helper (1998) further content that building trust is an investment and its returns may be in terms of lowering monitoring costs and co-ordination costs and enables such practices as just-in-time delivery

and no quality inspection on delivery. Trust, therefore, impacts the core benefits that accrue from the delivery of what Thompson (1998) called “basic requirements” (e.g., on-time delivery, quality). Following these argument, trust can be seen as an ‘order qualifier’ or a ‘must have’ in the relationship between the supplier and the customer. Therefore, we propose:

H<sub>3</sub>: The greater the trust of the customer toward the supplier, the greater the core benefits to the customer.

*Joint Action:* Joint action occurs when the organizational boundaries of business partners are interpenetrated (Heide & John 1990) so that *the parties engage in joint decision making and problem solving* (Nielson 1998). In business-to-business relationships, joint activities may occur in product design and development, quality control, logistics, or delivery systems. Anderson, Lodish, and Weitz (1987,) and Dwyer and Oh (1988) suggest that when parties participate in a relationship and make joint decisions about goals and plans affecting the outcome of the relationship, the relationship is typically successful. Specifically with respect to relationship outcomes, Mohr and Spekman (1994) found that partnerships with higher levels of joint action arrangements tend to yield higher sales. Similar arguments have been made by Anderson and Narus (1990) and Morgan and Hunt (1994).

Drawing on these previous studies, we argue that the ability and willingness to work jointly on issues related to the relationship will be an added point of differentiation. While not essential to most relationships, joint action will afford customers the opportunity to clarify issues with the supplier and have a greater probability of meeting customer expectations. We view such opportunities and experiences to be useful characteristics that provide benefits to the parties. Though not considered to be a necessary condition, joint action arrangements are useful conditions that qualify one supplier over others thus providing add-on benefits to a relationship:

H<sub>4</sub>: The more intense joint actions with the supplier are pursued, the greater the add-on benefits to the customer.

*Flexibility:* Flexibility of the supplier refers to *the extent to which the supplier is willing and able to make changes to accommodate the customer’s changing needs* (Anderson and Narus

1995; Noordewier, John, and Nevin 1990). This typically includes quick responses to the often unanticipated needs of customers (Cannon and Homburg 2001). Flexibility of suppliers can also assist customers to improve their processes and smooth them out (e.g., Mohr and Spekmann 1994). In addition to cost reduction, another important benefit of supplier flexibility is the customer's resulting ability to be more flexible to its own customers (Cannon and Homburg 2001). As such, the supplier's flexibility appears to be important for customers as it provides benefits to them particularly in unforeseen circumstances.

Suppliers making quick adjustments to delivery schedules and quantities therefore provide a useful benefit that is discretionary and yet beneficial. Such behavior - adjusting to the changing needs of the customer - is mostly not mandatory, but can be considered to be an additional success factor of a relationship (Kale and Barnes 1992). We therefore expect supplier flexibility to have a positive impact on the add-on benefits for customers:

H<sub>5</sub>: The greater the flexibility of the supplier, the greater the add-on benefits to the customer.

*Commitment of the supplier:* We see commitment of a supplier as *an enduring desire and effort on the part of the supplier to maintain a valued relationship with the buyer* (cf., Moorman, Zaltman, and Deshpandé 1992; Morgan and Hunt 1994). Research suggests that commitment is essential for successful long-term relationships (Mohr and Spekmann 1994). Commitment has also been shown to increase the quality of a relationship thus providing a benefit to the customer (Dorsch, Swanson, and Kelley 1998). Morgan and Hunt (1994) found that the commitment to a relationship decreases the propensity to put an end to a relationship. The willingness to make short-term sacrifices, to invest in a relationship, and to be tolerant towards others, are common characteristics of commitment.

Though supplier commitment is not a necessity in most business-to-business relationships, it provides benefits to the customer by reducing uncertainty. Higher commitment of one supplier can help a customer in the supplier evaluation process and serve as a choice criterion that qualifies one supplier over the others. Nevertheless, the commitment of a supplier does not pose as an order qualifier during partner selection (Fontenot *et al.* 1997). This is due to

the fact that an enduring desire and effort to maintain a valued relationship is not a necessary condition for all business-to-business relationships, but rather an additional nice-to-have feature. Therefore, we propose that commitment of the supplier increases the customer's add-on benefits:

H<sub>6</sub>: The greater the commitment of the supplier, the greater the add-on benefits to the customer.

### 3. Hypotheses on Cultural Effects

Several approaches to capture the concept of national culture exist in the literature. Hofstede's (1980) four dimensions of national culture, uncertainty avoidance, power distance, individualism and masculinity, is a concept accepted widely and used by many researchers to compare countries and business practices (see, e.g., Money, Gilly, and Graham 1998; Steenkamp, Hofstede, and Wedel 1999). Since it is validated empirically, we have chosen to follow Hofstede's (1980) conceptualization.

Among the four dimensions, national cultural masculinity is expressed as the degree to which a society exhibits assertive versus nurturing behavior and the fundamental issue addressed by power distance is how society handles inequalities among people when they occur (Hofstede 1980). Individualism relates to how an individual perceives its role vis-à-vis fellow individuals (Hofstede 1980). National cultural uncertainty avoidance measures the degree to which societies perceive themselves to be threatened by uncertain, risky, ambiguous, or undefined situations. Uncertainty avoidance and individualism are predominately related to the *perceptions* of individuals (Cutler, Erdem, and Javalgi 1997; Roth 1995). Since our study is mainly related to perceptions of customer benefits, we focus on the two dimensions: *uncertainty avoidance* and *individualism*.

Uncertainty avoidance is the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity (Hofstede 1980). Countries scoring high on uncertainty avoidance show low professionalism, high uniformity, high conservatism, high secrecy (Salter and Niswander 1995), stronger interpersonal and interorganizational ties (Money,

Gilly, and Graham 1998) and tend to focus more on problem solving and prevention (Roth 1995). Individualism is defined as a preference for a loosely knit social framework in a society wherein individuals are supposed to take care of themselves and their intimate families only (Hofstede 1980) and companies “tend to focus on benefits to the individual” (Cutler, Erdem, and Javagi 1997, p. 43). A country that ranks low in terms of individualism has been found to rank higher in uniformity and secrecy (Salter and Niswander 1995).

In the following we will develop our hypotheses regarding the impact of cultural uncertainty avoidance and cultural individualism simultaneously. We argue that uncertainty avoidance and individualism have opposite effects on the impact of the determinants of customer benefits (a similar approach is used by Salter and Niswander 1995).

Product quality typically includes aspects such as consistency, duration, standardization (e.g., ISO 9000) etc. (Garvin 1988). Uncertainty avoiding cultures are expected to put more emphasis on precise and error-free functioning of a product in order to reduce risk (Nakata and Sivakumar 1996). These cultures are seen to “focus ... on the running of the machine” (Hofstede 1991, p. 150). A high product quality can be interpreted as an approach to prevent problems and therefore a way to reduce risk (Roth 1995). Thus, product quality is expected to have a greater impact on the core benefits in cultures with higher uncertainty avoidance.

As indicated above, aspects like uniformity and consistency have been found to be more important in cultures with low individualism (Salter and Niswander 1995). Moreover, “people in highly individualistic cultures tend not to follow ... norms,” whereas a high product quality is often ensured through norms (Roth 1995, p. 166). Countries scoring low on individualism have also been found to focus on control, quality circles, and QFD (Johnson and Tomoaki 1990; McGowan and Sternquist 1998). Thus, product quality is expected to have a greater impact on the core benefits in cultures with high uncertainty avoidance and low individualism:

H<sub>7</sub>: The relationship between product quality and core benefits is stronger when cultural uncertainty avoidance is high and cultural individualism is low.

Individualistic cultures typically value personal-achievements (Hofstede 1980). This means these cultures will tend to focus on individual benefits (Cutler, Erdem, and Javalgi 1997). Winsted (1997), for example, examined how consumers in the US and in Japan evaluate service encounters. She found that cross-cultural differences in evaluating services exist. It has been argued that this is due to their high degree of individualism, meaning that consumers are more independent and self-centered. Furrer *et al.* (2000) provide empirical evidence for this proposition. Individualists, due to their drive, demand that others are more efficient and thus ask for higher levels of service quality (Furrer *et al.* 2000). Donthu and Yoo (1998) studied the effect of cultural orientation of customers on their service quality expectations. Their results showed that individualistic customers had higher service quality expectations. Therefore, we argue that the effect of service quality on perceived core benefits will be more pronounced when cultural individualism is high.

Societies with greater uncertainty avoidance tend to feel threatened by ambiguity, and they try to reduce it through stability and by establishing formal rules (Hofstede 1980). Meanwhile, in societies with low uncertainty avoidance, ambiguity is more tolerated and individuals tend to prefer fewer controls. Thus, consumers from high uncertainty avoidance societies will show relatively greater preference for tangibles (e.g., manifested in product and product quality) rather than intangibles (e.g., manifested in service and service quality) (Bianchi 2001). The preceding leads to the hypothesis that service quality has a greater impact on customer perceived core benefits in more individualistic and less uncertainty avoiding cultures:

H<sub>8</sub>: The relationship between service quality and core benefits is stronger when cultural individualism is high and cultural uncertainty avoidance is low.

The significant influence of national culture on the formation of trust has been supported in many studies. With regard to the individualistic dimension of national culture, Doney, Cannon, and Mullen (1998) argue that “individualist cultures are characterized by a loosely knit social framework which makes it difficult for trust to transfer from one entity to another” (p. 612). This is partly due to the fact that it is more widely accepted in individualistic cultures that people play adversarial roles, have conflicts and are opportunistic (Kale and

McIntyre 1991). Therefore, people in less individualistic cultures are more willing to trust others and rely on this trust (Doney, Cannon, and Mullen 1998; Johnson *et al.* 1996).

Moreover, cultures with high uncertainty avoidance show a resistance to change and are therefore not likely to engage in opportunistic behavior and risk the termination of valued relationships (Kale and Barnes 1992; Money, Gilly, and Graham 1998). In summary, this leads us to conclude that companies in more uncertainty avoiding cultures will place more emphasis on having trust-based relationships with their suppliers. This effect has already been discussed in the literature regarding differences between Japan (high uncertainty avoidance) and the US (low uncertainty avoidance) (Johnson *et al.* 1996; Money, Gilly, and Graham 1998). Also, trust building strategies have been identified to be more important in uncertainty avoiding cultures (Oikawa and Tanner 1992). Therefore, we propose:

H<sub>9</sub>: The relationship between trust and core benefits is stronger when cultural uncertainty avoidance is high and cultural individualism is low.

Previous research has suggested that stronger ties between two companies exist in countries with high uncertainty avoidance (Money, Gilly, and Graham 1998). An intensive joint action is one possible outcome of strong interorganizational ties in order to reduce uncertainty (Ganesan 1994). Thus, joint action is hypothesized to have a greater impact on add-on benefits in cultures characterized by high uncertainty avoidance.

Individualism is defined as a preference for a loosely knit social framework in a society wherein individuals are supposed to take care of themselves and their intimate families only (Hofstede 1980). For joint action arrangements to become operational parties need to engage in joint decision making and problem solving (Nielson 1998). Thus, joint action is strongly based on personal interaction (e.g., Anderson and Narus 1990) which may be less prevalent in highly individualistic cultures. We, therefore, conclude that joint action has a lesser impact on the add-on benefits in more individualistic cultures (Cutler, Erdem, and Javalgi 1997). This is consistent with arguments made by Nakata and Sivakumar (1996) that higher individualism tends to reduce the *esprit de corps* and collective interests. We expect joint action to have a

stronger impact on add-on benefits in more uncertainty avoiding and less individualistic cultures:

H<sub>10</sub>: The relationship between joint action and add-on benefits is stronger when cultural uncertainty avoidance is high and cultural individualism is low.

As mentioned before, Hofstede (1980) suggests that a culture ranking high in uncertainty avoidance strives for structure by formal rules and regulations. This leads to the conclusion that flexibility will be less valued due to the tendency to look for fixed rules and procedures, as for example in TQM or quality standards (Cutler, Erdem, and Javalgi 1997). A negative link of uncertainty avoidance and flexibility has also been found by Salter and Niswander (1995).

In individualistic cultures, people mainly look out for themselves (Hofstede 1980) and customers will expect greater supplier flexibility in order to meet their individual needs (Salter and Niswander 1995). Together these arguments propose that flexibility of the supplier as a determinant of the add-on benefits of a relationship is expected to have a lower impact in more uncertainty avoiding and less individualistic cultures:

H<sub>11</sub>: The relationship between flexibility and add-on benefits is stronger when cultural uncertainty avoidance is low and cultural individualism is high.

Commitment of the supplier, as stated before, presents the intention to maintain a valued relationship (Moorman, Zaltman, and Deshpandé 1992). Cultures with a high individualism generally show lower loyalty and commitment toward other people and organizations (Roth 1995; Steenkamp, Hofstede, and Wedel 1999). Experiencing commitment in an individualistic culture is less common and thus has a greater impact than in more collective (not individualistic) cultures.

Note that our theoretical reasoning for commitment is somehow distinct from the theoretical reasoning for trust and joint action. Basically, we argue that experiencing a committed supplier will be less expected in a highly individualistic culture. Thus, if a supplier shows relational commitment it would be more appreciated in a highly individualistic culture and, in

turn, creates additional benefits for the customer. A similar logic does not apply to flexibility, trust and joint action as those are determined by both customer *and* supplier (they are determined by both in a bidirectional fashion). In the sense of this argument, although commitment is also important in less individualistic cultures, it creates a stronger impact on add-on benefits in highly individualistic cultures.

The literature proposes that high levels of uncertainty avoidance are associated with higher levels of secrecy (Salter and Niswander 1995). Therefore, companies in more uncertainty avoiding cultures will not have a “transparent, open, and public approach” and will “restrict the disclosure of information about the business only to those who are closely involved with its management” (Salter and Niswander 1995, p. 381). Thus, firms will be more reluctant to share information with suppliers/customers openly, which is a necessary prerequisite for the building of commitment in relationships (Noordewier, John and Nevin 1990). We contend that highly committed companies which seek open information sharing are less valued by customers in cultures with high uncertainty avoidance. Therefore, we posit commitment to be more important as an add-on benefit in more individualistic and less uncertainty avoiding cultures:

H<sub>12</sub>: The relationship between commitment of supplier and add-on benefits is stronger when cultural individualism is high and cultural uncertainty avoidance is low.

In the following we are discussing the methodology employed for this research. In the next section we will describe the research design, the data, measurement development, and how we analyzed the data.

## **4. Methodology**

### **4.1. Sample and Data Collection**

For testing our hypotheses, we collected data from a very individualistic and moderately uncertainty avoiding country. We compared this data to a moderately individualistic but high uncertainty avoiding country. We chose the US and Germany for this purpose. In the literature, Germany is seen as a credible representative of the high uncertainty avoidance and

a low/mid individualistic culture (Deshpandé, Farley, and Webster 2000; Hofstede 1980, 1994). Furthermore, the US have been found to display a low uncertainty avoidance as well as high individualism (e.g., Salter and Niswander 1995).

In the US, 2,500 members of the National Purchasing Managers' Association were randomly selected from the association's membership database. Similarly, in Germany, 2,500 purchasing managers were randomly selected from the listing maintained by Bertelsmann AG. Collectively, these purchasing managers represented the chemical, mechanical engineering, and electrical engineering industries (SIC 28-38). Both questionnaires were pre-tested in order to check for understandability of the instructions and constructs, wording, and questionnaire layout. In this process it became evident that respondents had a clear understanding of the constructs involved. For example, the concepts of core and add-on benefits were validated in this process. For the main field phase each of the possible respondents was mailed a cover letter, questionnaire, and postage paid return envelope. Due to duplicate, incomplete, or missing addresses, a total of 4,775 questionnaires were sent out (2,475 in Germany and 2,300 in the US). Four weeks later, each non-respondent received a reminder letter and another copy of the questionnaire. The process described above yielded 528 completed questionnaires in Germany (yielding a response rate of 22%) and 453 completed questionnaires in the US (yielding a response rate of 20%) for an overall response rate of 21%. In the introductory part of the questionnaire we asked the respondents to choose a supplier 'with whom the company has had a relationship for some time'. 90% of the respondents reported on business relationships older than 4 years (35% delivered production material, 37% system components, and 28% raw material).

Following Armstrong and Overton (1977) we tested non-response bias by comparing early versus late respondents. More than half of the sample had answered after receiving the reminder. All indicator variables as well as demographic variables (e.g., size of firm, number of employees, product category, industry) were tested for differences. No significant differences were found concerning the German, the US, and the combined sample suggesting that non-response bias is not a problem with this data set.

## 4.2. Measure Development and Assessment

*Measure development:* All of the constructs in our study were measured using multi-item scales. Items were generated based on in-depth interviews with selected members of buying centers and a review of the extant literature. In total, we had to develop measures for the two benefit constructs, the six determinants and the moderator constructs of national culture (refer to the appendix). Conceptually the construct ‘core benefit’ was developed based on the work by Anderson and Narus (1999a&b), Grönroos (1997), and Thompson (1998). We developed the construct ‘add-on benefit’ with insights garnered from the research by Thompson (1998), and Doney and Cannon (1997). For the determinant ‘product quality’ we captured the different dimensions of this construct as developed by Garvin (1988). The item pool for the construct ‘service quality’ is based on Donabedian (1980). To measure ‘trust’ we adopted the scales developed by Ganesan (1994) and Kumar, Scheer and Steenkamp (1995a&b). The items for the construct ‘joint action’ were based on an adapted scale developed by Nielson (1998). The scale for measuring ‘flexibility of the supplier’ stems from Cannon and Homburg (2001) of which all four items were applied. This measurement model and the one for ‘commitment of the supplier’ performed very well. The items for the construct ‘commitment’ are based on the operationalization of Anderson and Weitz (1992).

The questionnaire was first designed in English. To ensure translation equivalence the questionnaire was translated into German and back-translated into English by a second person as proposed by Douglas and Craig (1999). The original and back-translated versions were then compared for conceptual equivalence and translation errors and refined where necessary. The resulting version was pre-tested as described above and further refined on the basis of comments from purchasing managers in the US and Germany.

*Metric equivalence:* The first step in our analysis was to ensure metric equivalence of the two samples. In accordance with Steenkamp and Baumgartner (1998), we analyzed the measurement invariances across the two different countries using multiple-group confirmatory factor analysis with LISREL VIII (Jöreskog and Sörbom 1993). We found the sample to display metric equivalence between the two countries, so that we were able to relate our constructs in a “nomological net” (Steenkamp and Baumgartner 1998, p. 82). We

furthermore did observe partial (almost full) error variance invariance as necessary for comparing relationships between constructs (as proposed by Steenkamp and Baumgartner 1998). Also, we found the reliabilities to be about the same in both countries so that measurement artifacts did not affect our conclusions.

*Assessment of measures:* A complete list of the measures and the item reliabilities can be found in the appendix. The summary statistics for the measurement scales of the sample is shown in Table 1 which reports means, standard errors, ranges, variances, and global fit measures. The results reveal that respondents used the full range of possible answers with reasonable variance.

RMSEA	Items	Mean / SD	Range <sup>a</sup>	Reliability ( $\alpha$ / $\rho$ ) <sup>b</sup>	Average Variance Extracted	Range of Loadings	GFI	AGFI	
	Core Benefits	3 5.94 / 1.02	1.00 / 7	.69 / .80	.58	.51-.55	--	--	--*)
	Add-on Benefits	6 4.77 / 1.33	1.00 / 7	.88 / .90	.60	.58-.78	1.0	0.99	0.06
	Product Quality	3 5.91 / 1.01	1.00 / 7	.70 / .82	.61	.52-.62	--	--	--*)
	Service Quality	8 5.68 / 0.96	1.75 / 7	.91 / .93	.66	.63-.78	0.99	0.99	0.06
	Trust	7 5.63 / 1.05	1.14 / 7	.92 / .94	.69	.82-.85	0.99	0.99	0.07
	Joint Action	5 4.48 / 1.55	1.00 / 7	.84 / .91	.67	.69-.83	1.00	1.00	0.03
	Flexibility	4 5.37 / 1.24	1.00 / 7	.93 / .94	.80	.70-.77	1.00	0.99	0.05
	Commitment	6 5.42 / 1.00	1.50 / 7	.88 / .91	.63	.58-.79	1.00	0.99	0.04

<sup>a</sup> The possible range for all measures was 1 through 7.

<sup>b</sup> Reports coefficient alpha and composite reliability.

\*) Global fit statistics are not applicable to measurements containing 3 items only.

Table 1: Summary Statistics for Measurement Scales

Statistical procedures used to validate the reflective measures included assessments of item and scale reliability, uni-dimensionality, and convergent validity (Anderson and Gerbing 1988). In order to assess measurement validity, confirmatory factor analyses were run with LISREL VIII (Jöreskog and Sörbom 1993). Analyses were conducted separately for each construct as well as for the whole measurement model consisting of all eight constructs (see Table 1).

The coefficient alphas range from .69 for core benefits to .93 for flexibility exceeding the threshold value of .7 recommended by Nunnally (1978) with the exception of core benefits. The item reliabilities displayed in the appendix are high as well. Generally, a composite reliability of at least .6 is considered desirable (Bagozzi and Yi 1988, p. 82). The encountered composite reliability measures (Jöreskog 1971) range from .80 for the core benefits to .94 for trust and flexibility of the supplier. Usually, the average extracted variance of a construct should exceed .5 according to Bagozzi and Yi (1988), which is given in our model with average extracted variances ranging from .58 for core benefits to .80 for flexibility. Table 1 also reports the range of loadings for all factors and global fit measures for measurement models containing more than three items. The GFIs, AGFIs and RMSEAs indicate good and very good fit.

Discriminant and convergent validity: Convergent validity was indicated by all paths from the individual items to the latent constructs being statistically significant ( $p < .01$ ). With regard to discriminant validity we analyzed a series of models to explore differences when constraining the correlations between the constructs to 1.0. The chi-square difference between the constrained model proved to be statistically significant from the unrestrained model for all constructs thus indicating discriminant validity.

In the following we will discuss the data analysis and our results.

## 5. Data Analysis

In a first step, we tested our hypotheses on main effects (H1 – H6) (see Figure 1). The presented hypothesized model was estimated using LISREL VIII (see Jöreskog and Sörbom 1993). In a second step, we analyzed the differences between the two nationalities (H7 – H12), considering nationality as a moderator. Since relationships among latent constructs are analyzed, we consider Multiple Group LISREL to be the most appropriate.

Therefore, we compared two models that are different only with respect to the effect of one determinant on the benefit (one  $\gamma$ -parameter). One model restricts this parameter to be equal across both nationalities whereas the more general model allows this parameter to vary across the two nationalities. Since these are nested models with the more general having one degree of freedom less than the restricted model, the  $\chi^2$ -value will always be lower for the more general model. Therefore, it is necessary to evaluate if the improvement in the  $\chi^2$ -value when moving from the restricted model to the more general model is significant. This would indicate a significant difference between the two sub-samples (nationalities). Significance is thus being assessed on basis of the  $\chi^2$ -difference between the two models using a  $\chi^2$ -distribution with one degree of freedom.

### 5.1. Results

The results of the LISREL analysis of the pooled data are shown in Table 2. The overall fit measures (GFI = .99, NNFI = .98 and CFI = .99) display values exceeding the threshold values of .9, which are usually recommended (Bagozzi and Yi 1988; Baumgartner and Homburg 1996). Also the RMSEA (RMSEA = .035) suggests that the model provides a good fit for the data (being well below the demanded .05). In spite of the significant  $\chi^2$ -statistic ( $\chi^2 = 1574.37$ , d.f. = 798,  $p < .01$ ), we conclude that the model fits reasonable well and compares well with other research in his area.

Hypothesis	Parameter	Parameter Value (standardized)	t-value
H <sub>1</sub>	$\gamma_{11}$	.19	3.98
H <sub>2</sub>	$\gamma_{12}$	.13	2.17
H <sub>3</sub>	$\gamma_{13}$	.50	14.13
H <sub>4</sub>	$\gamma_{24}$	.13	7.50
H <sub>5</sub>	$\gamma_{25}$	.09	3.97
H <sub>6</sub>	$\gamma_{26}$	.49	16.82

Fit statistics:  $\chi^2_{(d.f. = 798)} = 1574.37$  ( $p < .001$ ); GFI = .99; NNFI = .98; CFI = .99; RMSEA = .035

Table 2: Estimates of Structural Equation Coefficients (Pooled Data)

## 5.2. Results on Main Effects

The hypothesized effects of the determinants of customer benefits are fully supported (see Table 2). All  $\gamma$ -parameters are significant at the 1%-level thus giving support to hypotheses H<sub>1</sub> - H<sub>6</sub> except for hypothesis H<sub>2</sub> which is only supported at the 5%-level. Therefore, all our proposed main effects on customer benefits can be observed. We find especially strong effects of trust and product quality on perceived core benefits. In addition, we found a strong effect of supplier commitment on customer perceived add-on benefits.

## 5.3. Results on Country Effects

Having found support for the main hypotheses, we now look at the hypothesized cross-cultural effects in order to gain deeper insights into the relationship between customer benefits and its determinants. In Table 3, we are showing the results of our multiple group causal analysis. For this analysis we first estimated the parameters for each sub-sample independently. As is recommended by Jörgeskog and Sörbom (1993) we compared a model which imposes equality constraints on all six  $\gamma$ -parameters across the two subgroups with a more general model which allowed these parameters to vary freely across subgroups. Thus,

we analyzed if any cross-cultural effect on the relationships between customer benefits and its determinants can be observed at all. The significance of the change of the  $\chi^2$ -value when moving from the restricted model to the more general model together with the parameter estimate then show whether the two samples vary, to what extent and whether the moderating effect is significant. As presented in Table 3, we found a significant effect concerning cultural differences ( $\Delta\chi^2 = 126.26$ ,  $\Delta$  d.f. = 6). This finding demonstrates the relevance of the impact of cross-cultural differences. In the following, we will present the results of the analysis of the specific hypotheses. The results of the hypotheses tests can be found in Table 3.

*Nationality (standardized coefficients)*

	<i>Effect Stronger in Country</i>	<i>Country 1 (Germany) High UA Low IN</i>	<i>Country 2 (US) Low UA High IN</i>	$\Delta\chi^2$ ( $\Delta$ d.f. = 1)
H <sub>7</sub>	(1)	$\gamma_{11} = .23$	$\gamma_{11} = .15$	$\Delta\chi^2 = 10.92^{***}$
H <sub>8</sub>	(2)	$\gamma_{12} = -.03$	$\gamma_{12} = .18$	$\Delta\chi^2 = 3.55^*$
H <sub>9</sub>	(1)	$\gamma_{15} = .58$	$\gamma_{15} = .46$	$\Delta\chi^2 = 2.90^*$
H <sub>10</sub>	(1)	$\gamma_{24} = .17$	$\gamma_{24} = .10$	$\Delta\chi^2 = 2.92^*$
H <sub>11</sub>	(2)	$\gamma_{23} = .01$	$\gamma_{23} = .08$	$\Delta\chi^2 = 4.29^{**}$
H <sub>12</sub>	(2)	$\gamma_{26} = .46$	$\gamma_{26} = .61$	$\Delta\chi^2 = 10.92^{***}$

$\Delta\chi^2$  for all  $\gamma$  set equal across subgroups ( $\Delta$  d.f. = 6): 126.26\*\*\*

- \*  $\Delta\chi^2$  significant at the 10% level
- \*\*  $\Delta\chi^2$  significant at the 5% level
- \*\*\*  $\Delta\chi^2$  significant at the 1% level

Table 3: Results of Multiple Group Causal Analysis

First, we will look at the product characteristics. H<sub>7</sub> suggested a greater effect of the product quality on the core benefits in less individualistic and more uncertainty avoiding cultures. Our results show a significant difference for the impact of product quality on the core benefits thus supporting H<sub>7</sub>. Inspection of the relevant parameter estimates indicates a significant effect in both countries, but a significantly higher one in the more uncertainty avoiding and less individualistic. While we find a non-significant effect of the service quality on the core

benefits in the less individualistic and more uncertainty avoiding culture, we find a significant one in the less uncertainty avoiding and more individualistic one. The difference, however, is only significant on the 10%-level thus only barely supporting our hypothesis H<sub>8</sub>.

Concerning the impact of the relationship characteristics, H<sub>9</sub> posits a lower impact of trust on core benefits in more individualistic and less uncertainty avoiding cultures. We find results supporting this hypothesis of trust having a very high impact in the analyzed countries, but a significantly lower one in a more individualistic and less uncertainty avoiding culture. As expressed by H<sub>10</sub>, we posited that joint action has a significant lower effect on the add-on benefits in more individualistic and less uncertainty avoiding cultures as compared to less individualistic and more uncertainty avoiding cultures. However, H<sub>9</sub> and H<sub>10</sub> do not find strong enough support ( $p < .10$ ).

With regard to the supplier characteristics, we argued that supplier flexibility will have a weaker impact in less individualistic and more uncertainty avoiding cultures (H<sub>11</sub>). We find support for this hypothesis observing a non-significant effect in impact in the less individualistic and more uncertainty avoiding culture as opposed to a significant one in the more individualistic and less uncertainty avoiding culture, and a significant difference between the two. With regard to the commitment of the supplier, we hypothesized (H<sub>12</sub>) the commitment to have a greater impact on add-on benefits in more individualistic and less uncertainty avoiding cultures. Our data also provide support for this hypothesis and show that cross-cultural differences significantly moderate the relationship between commitment of the supplier and add-on benefits. Our empirical results therefore clearly support all our a priori cross-cultural hypotheses.

## 6. Discussion

The results of our study offer a number of important implications for theory and practice. Our results clearly indicate the importance of several determinants of customer benefits. Though varying in strength the importance of the determinants can be shown for different cultures. Furthermore, we find significant cultural differences concerning the impact of the determinants on the customer benefits – thus indicating that there exist important differences

between cultures that should be considered carefully. A discussion of the implications for research, managerial implications, as well as limitations and directions for future research follows.

### **6.1. Research Issues**

First, our research shows that customer benefits may be conceptualized as core and add-on benefits. The exploratory research with managers in the early stages of this research and the empirical results indicate that they are distinct concepts. Second, we identified six determinants of the customer benefits, each having an impact on either core or add-on benefits. Third, we found some small but also some major differences concerning the impact of these determinants on customer benefits.

The conceptualization of customer benefits as core and add-on benefits, which we propose, has its origin in the service quality literature (e.g., Grönroos 1997). This conceptualization has - to the best of our knowledge - now been operationalized for the first time and applied in a large, international business-to-business context. The scale which has been developed has been tested and validated and seems operational for international research in business-to-business markets.

Our research also offers valuable contribution to relationship marketing research. We provide important insights concerning the determinants of the two key constructs, core and add-on benefits in business-to-business relationships. Through the determinants we examined, we are able to explain a major portion of what customers see as the core (benefits) of a relationship and what customers perceive as add-on (benefits). We found product quality, service quality and trust to be important determinants of core benefits as opposed to supplier flexibility, joint action and commitment of the supplier which were major determinants of add-on benefits.

Though the importance of cross-cultural differences in business-to-business markets is generally accepted, relationship marketing studies, from our viewpoint have strangely neglected this area of research. While we find a great amount of studies on relationship marketing, it is mostly based on national data sets. Our research, however, has highlighted a significant cross-cultural effect concerning the conceptualization of customer benefits. This is

in accordance to the proposition that the ability to break down cultural barriers and establish relationships is a major success factor in international industrial marketing (Ford 1984).

## 6.2. Managerial Implications

From a managerial standpoint, our research provides several important insights. First, we show how a supplier can provide core benefits with regard to the national culture. This may help organizations in business-to-business markets to position their offers more clearly and to evaluate global differentiation potential. Second, we present how add-on benefits may be culture-specifically provided. Third, we demonstrate further operational implications.

How a supplier can achieve high ratings of core and add-on benefits in different national environments is an important international implication of our research. Considering the core of a relationship, we posit to engage in trust-increasing strategies in less individualistic and more uncertainty avoiding countries. Also, a supplier should give more emphasis to the product quality in a culture with high uncertainty avoidance. In such cultural environment product quality gets a supplier into the consideration set of a buyer. Another important insight is to offer a good and individualistic service (quality) in individualistic cultures as a core aspect of a relationship.

With regard to the add-on benefits a supplier can offer a customer, we propose to display a high commitment to the relationship to customers in cultures with high individualism. In addition, we suggest being highly flexible to address the changing needs of this higher individualism. In cultures that display high uncertainty avoidance, a supplier should, on the other hand, engage in joint activities (e.g., product development, logistics) with the customer in order to reduce their uncertainty.

Our research has highlighted several cross-cultural differences concerning the customer benefits of a relationship. Thus, it is important for suppliers to carefully analyze their customer structure and identify cross-cultural differences. Following this, suppliers could, for example, take the nationality of their customers as a customer segmentation element. Assessing how benefit perceptions are culture-idiosyncratically developed will help suppliers to evaluate global differentiation potential and obtain a basis for global market segmentation.

Furthermore, suppliers are able to adjust their marketing activities to their customers considering their customers' specific cultural views as e.g. on the benefits of a relationship.

### **6.3. Limitations and Suggestions for Future Research**

The study addresses the important issue of whether purchasing behavior in business-to-business relationships differ across countries. For the empirical design we chose to question purchasing managers in selected industries in Germany and in the US. Purchasing decisions in the business-to-business domain, however, are inherently complex and often involve multiple decision-makers. For the present study it would have been desirable to address other stakeholders in the buying center (see, for example, Kumar, Stern & Anderson 1993). Equally, one could argue that we have addressed only the buyer perspective, even though relationships are two-way interactions. A dyadic research design to study cross-cultural impact on benefits in business-to-business settings is an interesting and challenging area for future research. A possible extension of this research is also to investigate the problem with longitudinal data.

We were striving for a parsimonious model of determinants of customer benefits in business-to-business markets. We identified factors that we believe have an impact on how benefits are perceived in the business-to-business domain. Clearly, the chosen set of variables and moderators do not exhaust the list of possible determinants. Though our model suggests several important determinants and moderators, other variables could have been omitted. For example, the reputation of a supplier, in this study only measured indirectly via product quality and service quality (see appendix), may play an important role. Also, customer value has been defined as the ratio between perceived benefits and perceived sacrifices (see, for example, Zeithaml 1988). In this study we are only considering the benefit side of the value equation. Including the sacrifices and investigating determinants of sacrifices cross-culturally would be a fruitful avenue for future research.

Our study has analyzed buyer-supplier relationships in the US and in Germany which are two highly developed industrial economies. As has been indicated in former research, relationships in less developed economies have different features (Frazier, Gill, and Kale 1989). In spite of the major difference which we found between the US and Germany, there

are countries which are far more dissimilar concerning national culture (Hofstede 1980). Therefore, future research might focus on less developed countries or compare (a larger number of) countries which are culturally more dissimilar.

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## Appendix

### Measures and item reliability

name, response cue, and individual items	Item Reliability	Scale
<i>Core benefits</i> (strongly agree — strongly disagree)		
The relationship with this supplier meets our basic needs.		.50
As a company, this supplier meets the minimum requirements we have for the consideration of a supplier.		.41
We are pleased with the core benefit of the relationship with this supplier.		.55
<i>Add-on benefits</i> (strongly agree — strongly disagree)		
This supplier offers useful benefits beyond our basic needs.		.71
Additional benefits offered by this supplier were a reason for selecting it as a vendor.		.64
The relationship with this supplier provides us value beyond a simple transaction.		.72
In general, this supplier's overall offering is better than what other vendors provide in the marketplace.		.58
The relationship with this supplier provides us much more benefit than basic benefit we would generally expect.		.78
As a company, this supplier exceeds the requirements we have for a vendor.		.69
<i>Product quality</i> (strongly agree — strongly disagree)		
This supplier's product satisfies the basic criteria established for this product.		.55
We have had no problems with this product.		.45
This supplier's product meets all of our established standards.		.86
<i>Service quality</i> (strongly agree — strongly disagree)		
We find the employees of this supplier to be friendly.		.63
We find the employees of this supplier to be very knowledgeable.		.73
We are able to reach the employees of this supplier whenever we need them.		.66
We receive prompt answers to our inquiries from this supplier's staff.		.74
The advice and suggestions we get from this supplier's staff are always helpful.		.74
Our problems are always quickly resolved by this supplier's staff.		.78
The service employees of this supplier do high quality work.		.74
The technical service provided by this supplier typically leads to the desired result.		.68

(R) Reversed-scored items.

## Appendix- Continued

### Measures and item reliability

Scale name, response cue, and individual items	Item Reliability
<i>Joint Action</i> (strongly agree — strongly disagree)	
Our two companies make jointly many important technical decisions that might impact our relationship with each other.	.65
Our two companies decide jointly on the goals and objectives for our relationship with each other.	.64
In many cases, our two companies agree mutually before making major technical decisions that might impact our relationship with each other.	.41
Our two companies solve jointly many of our technical problems.	.70
Both companies provide actively input into this product's development process.	.63
<i>Flexibility of supplier</i> (strongly agree — strongly disagree)	
This supplier is flexible enough to handle unforeseen problems.	.82
This supplier handles changes well.	.84
This supplier can readily adjust its inventories to meet changes in our needs.	.83
This supplier is flexible in response to requests we make.	.85
<i>Trust</i> (strongly agree — strongly disagree)	
This supplier keeps promises it makes to our company.	.69
We believe the information that this supplier provides to us.	.73
This supplier is genuinely concerned that our business succeeds.	.76
When making important decisions, this supplier considers our welfare as well as its own.	.74
We trust this supplier keeps our best interests in mind.	.81
This supplier is trustworthy.	.83
We find it necessary to be cautious when dealing with this supplier. (R)	.71
<i>Commitment of supplier</i> (strongly agree — strongly disagree)	
This supplier defends us when others criticize us.	.66
This supplier is very committed to us.	.79
This supplier is willing to dedicate whatever people and resources it takes to grow our sales.	.71
This supplier is willing to make sacrifices to help us out from time to time.	.71
This supplier is patient with us when we make mistakes that inconvenience it.	.69
This supplier expects to be our supplier for a long time.	.58

(R) Reversed-scored items.