Creating value in retail buyer–vendor relationships: A service-centered model

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ABSTRACT

We present a “service-centered” model of retail buyer–vendor relationships, in which retail buyers’ perceptions of a vendor’s economic and social resources affect their assessments of relationship value and relationship outcomes. Economic resources offered at the organizational level of the vendor include brand equity and customer support activities (e.g., merchandising support and margin maintenance). Social resources offered at the individual level of the salesperson include special treatment and customer advocacy. Relationship outcomes include the buyer’s intention to grow the business, and in the event of business termination, maintain the interpersonal relationship with the sales representative. Survey data from 532 retail buyers were collected and analyzed using structural equation modeling. The results show that relationship value mediates the effects of economic and social resources on relationship outcomes. However, the process by which this occurs varies.

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1. Introduction

Marketing relationships are the subject of a well-established stream of research in business-to-business and service marketing (Grönroos, 1989; Palmatier, Dant, Grewal, & Evans, 2006). As this stream of research has grown, the service-dominant logic (SDL), a new marketing paradigm focused on the exchange of intangibles, has emerged to re-focus “the traditional goods-dominant model of relational exchange (Vargo & Lusch, 2004). The contribution of SDL to marketing theory has been the subject of extensive debate. As a new paradigm, it is considered “pre-theoretic,” and ripe for empirical testing (Lusch & Vargo, 2011). The purpose of our research is to contribute to the process of theory building, by proposing and testing an SDL-inspired model of buyer–seller relationships. While the foundation of our model is SDL, we have integrated concepts from research based in other paradigms, including social exchange and relationship marketing theories. We test our model in the particular context of retail buyers’ relationships with their vendors.

Our major objective is to contribute to the understanding of how the economic and social resources in vendors’ value propositions affect buyers’ perceptions of relationship value, as well as their relationship intentions. By that, we aim to contribute to the development of SDL in a business-to-business context and to value as a driver within business-to-business relationships. In particular, our research contributes in the following ways. First, we analyze the economic and social processes that SDL posits to facilitate creation of relationship value. To our knowledge, this is the first attempt to do so. In our model, relationships play out at two levels, the organizational level, at which the exchange of economic resources occurs, and the individual level, at which the exchange of social resources occurs (Palmatier et al., 2006). This bi-level analysis allows us to tease apart the effects of economic and social resources on the buyer’s perception of relationship value, and on the buyer’s intentions regarding the economic outcome of business growth and the social outcome of relationship maintenance.

Second, we evaluate the effect of brand equity, an economic resource offered to buyers by vendors, on relationship value and growth. In our research, brand equity is an economic resource offered at the organizational level by the vendor to the retailer. While SDL positions a firm’s offer of brand equity as “vital” to the customer’s perception of value and relationship performance, there is no research to substantiate its importance. Our findings provide insight into the importance of brand equity, relative to other economic and social resources, in the relationship between the vendor and the retailer. We also shed light on the process by which brand equity drives (or doesn’t drive) the retailer’s business growth intention.

Third, we delve into the role of the sales representative in creating relationship value and driving “stickiness” in relationships between vendors and retailers. Sheth and Sharma (2008) call for more research in this area, contending that as the economy has shifted from products to services, sales representatives have become more customer and service-focused. To that end, we explore the effects of special treatment...
and customer advocacy (Sharma, 2001), two resources offered by sales representatives, on buyers’ perceptions of relationship value and relationship maintenance intentions.

Fourth, we extend SDL’s strategic focus to include “post-termination” interaction between the sales representative and the buyer. Post-termination behavior has received very little attention in marketing research. However, Weitz and Jap (1995) suggest that theories of and research on interpersonal relationships may be applicable to research on inter-organizational relationships. Research on interpersonal (Busboom, Collins, Givertz, & Levin, 2002) relationships reveals that social interaction between partners may continue beyond the formal end of a relationship. As the retail industry becomes more concentrated, there are not only fewer retailers, but also fewer vendors to serve them. Thus, buyers may maintain contact with a portfolio of “terminated” vendors as a hedging strategy, to ensure that they are positioned to resume business with vendors in the event their offerings become attractive again. Thus, we explore the role of the social resources offered by the sales representative in driving relationship value and relationship maintenance intentions.

Finally, we highlight the mediating role of value in relationships. In SDL, value is considered the “locus” of relationships implying that value may reduce or enhance the effect of a vendor’s resources on relationship outcomes. However, there is little evidence that the mediating role of value has been tested in either an SDL framework or in relationship marketing research. With its focus on relationship benefits, value has the potential to be a comprehensive mediator that captures the essence of a relationship (Palmatier et al., 2006).

The remainder of this article is organized as follows. We start by presenting the conceptual framework for our service-centered model of retail buyer–vendor relationships; in the process, we review the relevant literature, cite some of the findings from preliminary depth interviews of retail buyers, and state our hypotheses. We then explain our research methodology, including the interview process, questionnaire development, and survey procedure. We follow with the results of our structural equation analysis. Finally, we discuss our results, explore their implications for scholarship and practice, and propose ideas for future research.

2. The service-centered model

The service-centered model is depicted in Fig. 1. Its main conceptual foundation is the service dominant logic (SDL) proposed in the seminal work of Vargo and Lusch (2004; 2008). The model’s empirical basis is a qualitative study in which we interviewed retail buyers to identify resources their vendors offer that they viewed as valuable. We test this conceptually- and empirically-grounded model in the context of a survey-based quantitative study.

SDL is a marketing paradigm that assumes buyers and sellers exchange resources in relationships that are service-centered and oriented towards co-creating value (Vargo & Lusch, 2004, 2008). It also assumes that in relationships customers are the arbiters of value. Thus, our model is taken from the perspective of the “customer,” the retail buyer who is the vendor’s primary contact in the retail firm. In this role, the retail buyer judges a relationship on both the organizational level and the individual level in terms of a) the effects of economic and social resource offerings, b) its overall value, and c) its potential economic and social outcomes (Vargo & Lusch, 2004). A relationship is an ongoing series of exchanges, with the intention to continue.

2.1. The vendor’s resources

In our model, the vendor’s resources are offered at two levels, the organizational level and the individual level. Resources are defined as

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**Fig. 1. Conceptual model.**

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Business Growth Intention (BGI)

Relationship Value

H1, 2, 3mod.

H6a

H6b

H4, 5mod.

Buyer Power; Experience; Hard or soft goods buyer

Relationship Maintenance Intention (RMI)

Customer Advocacy of Sales Representative

Special Treatment by Sales Representative

Margin Maintenance

Merchandising Support

Vendors’ Brand Equity

Retail buyer’s perception of vendor’s value proposition

Retail buyer’s behavioral intentions

Organizational level offer of economic resources

Individual level offer of social resources
the vendor’s offer to the retailer of unique skills, knowledge, and capabilities. The notion of two levels of exchange is borrowed from social exchange theory (e.g., Emerson, 1976; Foa & Foa, 1976; Kelley & Thibaut, 1978), the early thought leadership of the IMP group (e.g., Hakansson, 1982; Hakansson & Wootz, 1979), and more recent scholarship in relationship marketing (Bolton, Smith & Wagner, 2003; Weitz & Jap, 1995). SDL also suggests that in business-to-business relationships there are two levels of exchange. The exchange of economic resources, which occurs at the organizational level, is indirect, impersonal, and monetized, so the identities of individuals are “masked.” However, exchange at the individual level, between the sale representative and the buyer, is direct, personal, and non-monetized. Rather than exchanging service for money, services are exchanged for other services. Economic resources, which are offered at the organizational level, include the vendor’s brand equity,1 merchandising support and margin maintenance. Social resources, which are offered at the individual level, include the sales representative’s offer of special treatment and customer advocacy for the retail buyer.

Again, following earlier conceptual work by social exchange scholars and the IMP group, as well as empirical work in relationship marketing, we propose that the vendor’s organizational-level and individual-level resources are aligned with corresponding organizational-level and individual-level outcomes. Economic resources, offered at the organizational level by the vendor to the retailer, drive the economic outcome of business growth intention (BGI), and social resources, offered at the interpersonal level by the sales representative to the retail buyer, drive the social outcome of relationship maintenance intention (RMI).

The logic behind the alignment of resources and outcomes is suggested by social exchange theory. Scholars such as Foa and Foa (1976) and Clark and Mills (1993) argued that in exchange relationships, resources are offered by one partner to another with the expectation of a future return “in kind” (i.e., of the same type). Resources vary by level of “particularism,” which is the extent to which they can be personalized. Economic resources are low in particularism (i.e., they are exchanged between organizations), and social resources are high in particularism (i.e., they are exchanged between individuals). In our model, the economic resources offered at the inter-organizational level should promote future growth of the business. The social resources offered at the interpersonal level should promote future interaction between the sales representative and the retail buyer.

2.2. Relationship outcomes

Growth, which is essential to the competitiveness of both vendors and retailers (Assaf, Josiassen, Rathford, & Pestana Barros, 2012), is one of the metrics most often used to evaluate business performance (Corsten & Kumar, 2005). In our pre-survey interviews, buyers indicated that their goal in relationships is to “grow,” rather than simply maintain their businesses with vendors (see Appendix A), which is a common focus of relationship marketing strategy (Visentin & Scarp, 2012). Their vendors share this goal, and growth in sales is usually their most important performance metric (Buchanan, 1992). One tenet of SDL is that financial performance provides feedback to service providers on the quality of their value propositions. In the context of vendor–retailer relationships, growth in sales can be construed as a test of a hypothesis with regard to the quality of the vendor’s value proposition (see Vargo and Lusch (2004) Table 1, p. 3). We define BGI as the buyer’s intention to invest more resources and increase sales volume in the relationship with the vendor.

Social exchange theories posit that relationships continue as long as the benefits of exchanging resources are high (i.e., valuable), relative to other relational exchanges. If the benefits of the exchange are (too) low, ceteris paribus, relationships will become less intimate or terminate (Taylor & Altman, 1987). SDL suggests that for both vendors and buyers, there are “implied social contracts” that may extend the life of a relationship beyond that of the economic exchange. Granovetter (1985) posited that economic exchanges are embedded in social relationships; if an economic exchange terminates, the social exchange in which it was embedded may continue. Business partners may continue to interact, even though there is no economic exchange between their organizations. Continuing interaction after a “divorce” has been found in the context of interpersonal relationship (Busboom et al., 2002) and business-to-consumer research (Odekerken-Schröder, Hennig-Thurau, & Knaevelsrud, 2010).

Relationship termination has also been observed in research on business-to-business relationships, albeit from the perspective of the vendor (Ritter & Geersbro, 2011). The buyers we interviewed confirmed that after organizational-level relationships end, they often continue to interact with sales representatives by reviewing new merchandise offerings, even though they do not plan to buy them. They explained this behavior in terms of personal attachment (i.e., they had become friends with the sales representative) and the need to hedge their bets. By maintaining friendly relations and continuing to interact with the sales representative, they would be able to quickly re-establish the relationship, if the vendor’s business were to become attractive again (see Appendix A.) We term this phenomenon “relationship maintenance intention” (RMI), and define it as the buyer’s intention to continue to interact with the sales representative even after the economic exchange with the vendor has stopped.

2.3. The mediating role of relationship value

The notion that value is the “locus” of relationships (Vargo & Lusch, 2004) suggests that the customer’s perception of relationship value is likely to mediate the effects of economic and social resources on relationship outcomes. The results of a meta-analysis of relationship marketing models by Palmatier et al. (2006) reveal that the mediating role of value has received little, if any, attention, in business-to-business research. Palmatier and his colleagues suggest that trust and commitment, the most common mediators, may be “too narrowly focused.” Rather, they propose that the best mediator is one that “captures” the “key” aspects of a relationship, and imply that value is that mediator. They (p. 139) further suggest a link between value and positive relationship outcomes by stating, “Customers may perceive value in a relationship when they receive relationship benefits from an exchange partner…which increases their willingness to develop relationship bonds.” Following the definition used in social exchange theory (esp. Thibaut & Kelley, 1959), we define relationship value as the retail buyer’s perception that the vendor offers resources of more benefit than the resources offered by other vendors with whom the buyer interacts. Value is a comparative concept. For some authors it includes a comparison of a state of a person before and after a transaction (e.g. Grönroos, 2008); for other authors it is a comparison of benefits and sacrifices (e.g. Zeithaml, 1988). For us these perspectives are implicitly included in the comparison of the current relationship with a potential alternative business relationship with a competitor. This view is common especially in business-to-business marketing (e.g. Ulaga & Eggert, 2006) and relationship marketing (e.g. Ravald & Grönroos, 1998). Relationship value can include different types of value; value that is directly linked to the exchange of resources within the relationship (e.g. supplied merchandise); value that is linked towards the relationship itself (e.g. joint development of products) or the proprietary value that is linked towards the benefit of the retail buyer only (e.g. more profit) (Möller, 2006).
3. Hypotheses

We propose a service-centered model that is mediated by the buyer’s perception of relationship value, in which we expect the following effects. In relationships, offers of economic and social resources drive “matching” economic and social outcomes (e.g., Bolton et al., 2003; Hakansson & Wootz, 1979), both directly, and indirectly, through relationship value. That is, the economic resources offered at the organizational level are intended to build the retailer’s sales and profit performance, with respect to the vendor’s merchandise. The social resources offered at the individual level are intended to foster personal interaction (Bradford et al., 2010; Palmatier et al., 2006) and create an interpersonal bond (Price & Arnould, 1999) between the sales representative and the buyer. We expect the outcome of these processes to be that the economic resources generate the economic outcome of business growth intention (BGI), and the social resources generate the social outcome of the buyer’s relationship maintenance intention (RMI). Relationship value, which is fundamental to the exchange process, mediates the influence of the resources on their corresponding relationship outcomes, BGI and RMI.

Vendors offer retailers extensive support service, both financial and non-financial. In business-to-business relationships, the exchange of services at the organizational level is indirect, impersonal, and monetized; that is, the exchange of resources is facilitated by the exchange of financial (i.e., economic) resources. However, the exchange of services at the individual level (between the sales representative and the buyer) is direct, personal, and non-monetized; that is, the exchange of operant resources is facilitated by social resources.

In our model, the antecedent economic and social resources emerged from our interviews with buyers, an extensive literature review, and the experience-based knowledge of one author who is a former retail buyer. We focus on the vendor’s core competences. Following the suggestion of Prahalad and Hamel (1990), we limit the core competences to five.

3.1. The offer of economic resources

Lusch, Vargo, and O’Brien (2007) note that economic resources “play a central role” in the co-creation of value. In our model, the economic resources of brand equity, merchandising support, and margin maintenance are promises by the vendor to help drive the retailer’s financial performance (see Appendix A). We present hypotheses concerning the effect of each of these economic resources on the buyer’s perception of relationship value and potential outcomes.

Brand equity is well-established as an important resource for vendors to offer to retailers (Buchanan, Simmons, & Bickert, 1999; Davis & Mentzer, 2008). We define brand equity as the buyer’s perception of the vendor’s ability to design and market saleable merchandise. In SDL, merchandise would be considered a “platform” through which a firm offers its resources (e.g., abilities) to customers. In our model, brand equity is offered to retailers through the platform of the vendor’s merchandise.

As noted above, Vargo and Lusch (2004) suggest that brand equity is one of the ways in which marketing drives the financial performance of the firm. In retail buyer–vendor relationships, the vendor’s brand equity affects the performance of both the vendor and the retailer. Pursuant to that, Narayandas and Kasturi Rangan (2004) suggest that a vendor’s brand equity is a benefit to retailers because it offers the potential for sales, one of their most important performance metrics (Buchanan, 1992). If the buyer perceives the vendor’s brand equity to be high, brand equity should drive relationship value. Ambler (2003) argues that brand equity is a “promise of future cash flow” that should stimulate business growth. Therefore, we expect that:

H1. Vendors’ brand equity has a positive effect on retail buyer’s relationship value ($H_{1a, dir.}$), and thereby positively influences business growth intention (BGI) ($H_{1med.; H_{1a, dir.}}$).

Vendors offer extensive support to their retail customers (e.g., Ailawadi, Beauchamp, Donthu, Gauri, & Shankar, 2009), in the form of financial and non-financial services. While financial support is offered at the organizational level, non-financial support is offered at the individual level. Financial support has been the focus of most research (e.g., Ailawadi et al., 2009, 2010). In our pre-survey interviews, buyers indicated that their vendors provided financial support in the form of merchandising support and margin maintenance (see Appendix A). We define merchandising support as the buyer’s perception of the vendor’s offer (ability) to support the sales of its merchandise, through merchandising coordinators, fixtures, and contributions to sales associates’ salaries. Such offers are “sweeteners,” designed to enhance the buyer’s perception of the vendor’s value proposition (Bemmaor, Franses, & Kippers, 1999). Merchandising support is a benefit to the retailer, because it supplements the retailer’s in-store merchandising activities. In our interviews, the buyers tied merchandising support to sales. One buyer noted that business with a vendor dropped off when merchandising support was reduced (see Appendix A). Thus, merchandising support should have a positive effect on the buyer’s perception of relationship value.

Margin maintenance is defined as the buyer’s perception of the vendor’s promise (ability) to maintain the retailer’s gross margin, in dollars, on its sales of the vendor’s merchandise. Under the terms of this offer, if the dollar goal is not met, the vendor agrees to compensate the retailer with cash allowances to cover the difference. As noted in relationship marketing research, margin maintenance occurs in the form of allowances for markdowns and advertising, as well as checks written at the end of a season to “settle up” (see Appendix A; also Buchanan, 1992; Ganesan, 1993; Kaufman, Jayachandran, & Rose, 2006). Margin maintenance benefits the retailer by reducing the financial risk associated with partnering with the vendor. Therefore, margin maintenance should be perceived by the buyer to have a positive effect on relationship value.

Both merchandising support and margin maintenance can be construed as relationship-specific “pledges” to the retailer. Previous research shows that such pledges are positively related to retailers’ long-term relationship outcomes (Ganesan, 1994). As financial support services, merchandising support and margin maintenance should drive the economic outcome of BGI. Therefore, we propose the following hypotheses:

H2. Merchandising support is positively related to the retail buyer’s perception of relationship value ($H_{2a, dir.}$), and thereby positively influences business growth intention (BGI) ($H_{2med.; H_{2a, dir.}}$).

H3. Margin maintenance is positively related to the retail buyer’s relationship value ($H_{3a, dir.}$), and thereby positively influences business growth intention (BGI) ($H_{3med.; H_{3a, dir.}}$).

3.2. The offer of social resources

Because service requires co-production, interaction between the buyer and the sales representative is paramount (Bradford et al., 2010). The sales representative and the buyer interact regularly to exchange resources. Previous research on “commercial” service relationships between service providers and consumers shows that in the process of interacting, they get to know each other, and often become friends (Price & Arnould, 1999). Extending this to b-to-b relationships, sales representatives are then an “integral part” of both the selling and the buying firm (Sheth & Sharma, 2008). It is their job to marshal the resources from both firms to help the buyer run its business. In our
model, social resources offered by the sales representative to the buyer include special treatment of the buyer’s business and customer advocacy.

### 3.2.2. Customer advocacy

**Customer advocacy** has been described as a “new era” for marketing (Urban, 2004). In business-to-consumer relationships, advocacy has been equated with favorable word-of-mouth (Schultz, 2000) or support Pappalardo, 1999). Urban (2004) explains advocacy as of a cause (e.g., Crosby & Johnson, 2004; Little & Tuckman, 2000; Sheth & Sharma, 2008) suggests that offering special treatment to customers is important to business customers. Bagozzi (1975) noted that the desire for special treatment is inherently comparative, a “mimetic” response to how referent others are perceived to be treated. One might expect such social comparison to be unlikely in business-to-business markets, because buyers’ goals are tied to financial performance. However, the results of our interviews showed that buyers count on their vendors to offer them service not only before their competitors, but also before the “sister” stores in their corporate portfolios, with whom they do not directly compete (see Appendix A). Special treatment offers a benefit, so it should affect the buyer’s perception of relationship value. In service marketing research, special treatment has been correlated with positive intentions towards a relationship (Gwinner, Gremler, & Bitner, 1998). While it is “obvious” that sales plays an important role in client relationships, research on sales in business-to-business relationships does not provide a “clear picture of the content” of sales’ new role in creating value (Haas, Snehota, & Corsero, 2012, p. 94).

Therefore, we expect special treatment to have a positive effect on the buyer’s intention to maintain the relationship with the sales representative (RMI) even after dissolution. We predict the following:

**H4. Special treatment by the sales representative has a positive effect on the retail buyer’s relationship value (H4a, dir.) and thereby positively influences relationship maintenance intention (RMI) (H4met.; H4b, dir.).**

### 3.2.2. Customer advocacy

Customer advocacy has been described as a “new era” for marketing (Urban, 2004). In business-to-consumer relationships, advocacy has been equated with favorable word-of-mouth (Schultz, 2000) or support of a cause (e.g., Crosby & Johnson, 2004; Little & Tuckman, 2000; Pappalardo, 1999). Urban (2004) explains advocacy as “acting in the best interests of your customer,” claiming that “…advocacy is important on the consumer side of marketing, (but) it is even more applicable in business-to-business efforts…” (p. 81). In the sales and marketing literatures, Sharma (2001) argues that advocacy is an “emerging role” for sales representatives who deal with organizational buyers. Customer advocacy also reflects the fact that sales representatives are an “integral part” of both the selling and the buying firm (Sheth & Sharma, 2008). In our SDL model, we define customer advocacy as the buyer’s perception of the sales representative’s offer to leverage his or her knowledge and skill to help the retail buyer manage his or her business. Help in managing the business is a benefit to the retail buyer, so customer advocacy should positively affect the retail buyer’s perception of relationship value. The idea that economic exchange is “embedded” in social exchange (Granovetter, 1985) suggests that inter-personal relationships between buyers and sales representatives may serve as “brakes” to terminating inter-organizational relationships. The results of our interviews show that in the process of interacting, buyers and sales representatives often get to know, like, and respect each other. In fact, marketing research confirms that interpersonal relationships create “stickiness,” reluctance on the part of a customer to leave a relationship (Murry & Heide, 1998; Watthe, Biong, & Heide, 2001). Relationship “stickiness” suggests that partners may continue to interact after an inter-organizational relationship has ended. Such “post-termination” interaction between partners has been observed in research on interpersonal relationships (Busboom et al., 2002). The buyers we interviewed confirmed that post-termination stickiness occurs between sales representatives and buyers (see Appendix A). In particular, buyers often continued to interact with sales representatives, particularly those who had been advocates for their businesses, by reviewing their seasonal offerings. Our buyers expressed feelings of personal commitment, as well as the need to hedge their bets; in the event a vendor’s offering improved, they wanted to be positioned to quickly resume the economic exchange. Such reluctance to disengage is manifested in the outcome of relationship maintenance intention. We expect customer advocacy to be positively related to the buyer’s RMI. We hypothesize that:

**H5. The buyer’s perception of the sales representative’s customer advocacy is positively related to the retail buyer’s relationship value (H5a, dir.) and thereby positively influences relationship maintenance intention (RMI) (H5met.; H5b, dir.).**

### 3.3. Relationship value and relationship outcomes

In relationships, value is the driving force for business growth (Vargo & Lusch, 2004), and growth, especially organic growth, is a management imperative (Doyle, 2008; Favaro, Meer, & Sharma, 2012). Consequently, we expect relationship value to affect retail buyers’ business growth intention (BGI). When relationships are perceived to have had value, it is more difficult for partners to disengage (Busboom et al., 2002). After a relationship has been terminated, partners may continue to interact, albeit at a less “intimate” level of exchange (Taylor & Altman, 1987). This idea was reinforced by the buyers we interviewed (see Appendix A), who explained that relationship termination was usually a function of circumstances, i.e., because of changes in consumer tastes. Based on those previous findings and the information gleaned from our interviews, we expect retail buyers to try to “keep the door open” to vendors if they perceive that a relationship had been valuable and had the potential to become valuable again. Therefore, we propose the following hypotheses:

**H6. The buyer’s perception of relationship value is positively related to the retail buyer’s business growth intention (BGI) (H6a) and relationship maintenance intention (RMI) (H6b).**

### 3.3.1. The mediating effect of relationship value

As our hypotheses suggest, we expect the buyer’s perception of relationship value to mediate the effects of the economic and social resources on relationship outcomes. Social exchange theory provides general guidelines as to how this mediating effect might operate. Relationship value is the retail buyer’s perception of the current relationship against the background of alternative vendor relationships. The criterion for this comparison is the combined (net) benefits of the economic and social resources offered to the retailer through the vendor’s value proposition (Foa & Foa, 1976; Foa, Tornblom, Foa, & Converse, 1993). The economic and social resources, in which are embedded benefits in the form of service, should affect relationship value. Relationship value, in turn, should influence the relationship outcomes, BGI and RMI. In addition, the economic resources, which are offered at the inter-organizational level, and social resources, which are offered at the individual level, are likely to directly drive their respective relationship outcomes. Relationship value is thus assumed to have either a buffering effect on relationship outcomes, if the value
perception is low, or an amplifying effect on relationship outcomes, if the value perception is high.

4. Methods and data

4.1. Qualitative study

We began our research by conducting in-depth interviews with a general merchandise manager (GMM) and seven department store buyers from a US-based regional department store located in the eastern US. It met the U.S. Census definition of a department store, in that it was composed of separate business units for various merchandise lines, and carried various merchandise lines, such as apparel, home furnishings, and hard goods. The interviewees purchased a variety of merchandise lines, and carried various merchandise lines, such as apparel, home furnishings, and hard goods. The interviewees purchased a variety of soft and hard good categories. Miles and Huberman (1994) note that focusing on one organization and one type of informant is an acceptable qualitative approach if researchers begin with a well-developed conceptual framework, which was the case with our research. The interviews ranged in length from one to one-and-one half hours. The main results with respect to the focal variables in our model, presented in Appendix A, were discussed as they relate to our conceptual framework, and were used in justifying our hypotheses.

4.1.1. Interview setting

The interviews were conducted in the interviewees’ offices. The interviews were taped, with the buyers’ permission, and they were promised anonymity. We used a semi-structured interview guide, in which the interviewer had latitude to use a personally congenial approach to asking and sequencing the questions (Miles & Huberman, 1994, p. 37). The interviews were taped, with the buyers’ permission, and they were used in justifying our hypotheses.

4.1.2. Sampling frame for interviews

Following Erickson (1986), we used an “inside out” sampling sequence, beginning with the GMM and then tightening our focus to retail buyers. We used a chain sampling technique (Miles & Huberman, 1994, p. 28), in which the GMM identified three buyers, representing a variety of merchandise categories, who he thought would provide information-rich interviews. At the end of each interview, we asked the retail buyer to identify one or two other buyers who might be willing to be interviewed.

4.1.3. Interview analysis

The transcripts (188 pages) were read and reread by two researchers with expertise in the respective area, one of whom is a former retail buyer. A researcher who is an expert in this area developed coding categories (Miles & Huberman, 1994). The transcriptions were then analyzed and coded independently by two raters, with inter-rater reliability of 92%.

4.2. Quantitative study

4.2.1. Development of the survey instrument

Based on what we learned in these interviews, and a review of previous research on business-to-business relationships, we developed a preliminary version of the survey instrument using procedures recommended by Dillman (2008). When possible, we used existing scale items, adapting them to our research context. For all items, we used a 7-point Likert scale, anchored by “strongly disagree” and “strongly agree.” We pretested the questionnaire with three retail buyers, using the concurrent think-aloud technique (Dillman, 2008; Tourangeau, Rips, & Rasinski, 2000), to ensure that the instructions were clear, the terms we used in the questionnaire were industry-appropriate, and respondents were interpreting and comprehending the questions in the manner intended.

4.2.2. Structure of the survey instrument

The questionnaire had three parts. Similar to the interview guide, in the first part of the survey instrument, we collected information on buyers’ professional responsibilities and experience. Each retail buyer was then asked to name one vendor with which he or she was currently doing business. To overcome possible selection bias from buyers automatically reporting on their largest vendor, we asked one quarter of the buyers to report on one of their large vendors performing at or above the sales plan, one quarter to reply keeping in mind one large vendor performing below plan, the third quarter to report on one small vendor performing at or above plan, and the fourth quarter on one small vendor performing below plan. The mailing list was subdivided so that within each retail organization, 25% of the buyers received each version. This resulted in buyers reporting on a variety of relationships (Ganesan, 1994; Johnson, Sohi, & Grewal, 2004). In the second part of the questionnaire, we measured the buyers’ perceptions of their relationship with their focal vendor. Finally, in the third part, we collected information on the demographic characteristics of the retail buyer, including age, gender, category of merchandise purchased, and years of experience working with the vendor.

4.2.3. Control variables

We included buyer’s experience with the focal vendor, buyer’s perception of the retailer organization’s power and the product category purchased by the retail buyer, represented by hard versus soft goods as control variables influencing relationship value. Buyer’s experience was defined as the number of years in which the buyer had worked with the vendor. Product category was captured by asking the retail buyer to report the largest category he or she was currently buying. Retailers power was included in the questionnaire by asking whether the vendor or the respondent had more power. We believed power might affect a buyer’s perceptions of relationship value. Powerful retailers may perceive given relationships to be less valuable because they are more likely to have alternative sources of supply.

4.2.4. Measures

The measure of relationship value was taken from Bolton et al. (2003), and the business growth intention scale was adapted from Zeithaml, Berry, and Parasuraman (1996). All other scale items were developed by the researchers, based on the pre-survey interviews, and following the guidelines of Churchill (1979). As for the control variables, buyer’s experience was measured in years, the buyer’s perception of power was measured using a single-item scale, and the buyer’s merchandise category (hard or soft goods) was directly asked. All measures are presented in Appendix B,3 and the discriminant validity tests are presented in Table 1.

3 The CFA factor loadings of two items are below .5. In their well-respected textbook, Hair, Black, Babin Barry, Anderson, and Tatham (2006) suggest that .4 is the minimum acceptable cut-off value. In addition, Little, Lindenerberger, and Nesselroade (1999) suggest that if there are conceptual reasons for including items in the domain of a construct, omitting items with low loadings may lead to bias in the centroid of the construct.
we tested for significantly high, we checked our data for non-response bias in two ways. First, the average number of vendors from which they purchased was 28, and experience. They were responsible for large businesses, with average small/above plan: 26.2%; large/below plan: 24.7% and large/above plan: 23.5%. The percentage of respondents from each of the four sampling groups (big/small vendor with low/high performance) are between 23.5% and 26.2%. With small/below plan: 23.5%; large/below plan: 24.7% and large/above plan: 26.2%. The respondents to our survey reported an average of 12 years’ experience. They were responsible for large businesses, with average sales of $38 million, buying for an average number of 118 stores. The average number of vendors from which they purchased was 28, and most (51%) purchased clothing. The mean age of respondents was 39, and 65% were female. On average, the focal vendor accounted for 16% of respondents’ businesses. Even though our response rate was relatively high, we checked our data for non-response bias in two ways. First, we tested for significant differences between early and late respondents (Armstrong & Overton, 1977), by comparing the means of the 24 indicators in the model for the first and the last quartiles of our data. There was a significant difference for the means of only one indicator, and this was small (5.76 for the early versus 5.42 for the late respondents). Second, through our literature review we found dat allowing us to compare some of our demographic data with other research involving retail buyers. The comparison showed similar patterns in age (e.g. Davies, 1994) and average experience (Pilling & Eroglu, 1994). The results of

4 Before this comparison, we contacted the National Retail Federation (NRF) in an attempt to obtain data on the demographic profile of department store buyers in the U.S. The researcher with whom we spoke informed us that not only does the NRF not have these data, but it is also doubtful that this information is available anywhere.

4.2.6. Survey procedure

The retail buyers were mailed a packet including a personalized cover letter, the six-page survey instrument, and a pre-addressed, postage-paid envelope for return of the completed instrument. The cover letter explained the purpose of the survey, promised anonymity of individual responses, and established a cut-off date of three weeks from the mailing date for return of the completed questionnaire. As an incentive to participate, members of the sample were given a chance to win a $1000 travel certificate in a random drawing, and were promised copies of an executive summary upon request. The mailing occurred in two waves, one month apart.

4.2.7. Responses

Five hundred and thirty-two buyers responded to our survey, from which we had to eliminate 5 cases due to missing values, leaving 527 cases for a 25.5% response rate. The percentage of respondents from each of the four sampling groups (big/small vendor with low/high performance) are between 23.5%–26.2% with small/below plan: 23.5%; small/above plan: 26.2%; large/below plan: 24.7% and large/above plan: 26.2%. The respondents to our survey reported an average of 12 years’ experience. They were responsible for large businesses, with average sales of $38 million, buying for an average number of 118 stores. The average number of vendors from which they purchased was 28, and most (51%) purchased clothing. The mean age of respondents was 39, and 65% were female. On average, the focal vendor accounted for 16% of respondents’ businesses. Even though our response rate was relatively high, we checked our data for non-response bias in two ways. First, we tested for significant differences between early and late respondents (Armstrong & Overton, 1977), by comparing the means of the 24 indicators in the model for the first and the last quartiles of our data. There was a significant difference for the means of only one indicator, and this was small (5.76 for the early versus 5.42 for the late respondents). Second, through our literature review we found dat allowing us to compare some of our demographic data with other research involving retail buyers. The comparison showed similar patterns in age (e.g. Davies, 1994) and average experience (Pilling & Eroglu, 1994). The results of these two comparisons suggest that non-response bias is not present in our data.

4.2.8. Analysis

We conducted a structural equation analysis, using MPLUS 6 (Muthén & Muthén, 2010), to explore the effect of the economic and social resources on relationship value and relationship outcomes. As recently recommended for use in academic research we tested for mediation following the procedure of Zhao, Lynch, and Chen (2010) in combination with the bootstrapping procedure proposed by Preacher and Hayes (2008). The results show whether the mediation is complementary (when the significant mediated effect and the significant direct effect point in the same direction), competitive (when the significant mediated effect and direct effect do not point in the same direction) or indirect only (when the mediated effect is significant, but the direct effect is not). Whereas the latter type of mediation (indirect only) gives evidence that an omitted additional mediator is unlikely, the first and second type (complementary and competitive) give evidence that an additional mediator might have been omitted (Zhao et al., 2010).

4.2.9. Common method bias

We addressed the concern of common method bias by performing two tests, neither of which indicated that common method bias is present in our data. The first was Harman’s Single Factor test (Chang, Witteloostuijn, & Eden, 2010; Podsakoff, Mackenzie, Lee, & Podsakoff, 2003), which involves performing an unrotated exploratory factor analysis (EFA) with only one (forced) factor, and comparing the explained variance to that of an unrestricted EFA. The results of forcing the EFA to build one factor explained 31.03% of the variance in our data, whereas the unrestricted EFA explained 73.38%. We interpreted this to mean common method variance is not present in our data. A second, more sophisticated method for detecting common method bias is the common factor analysis within confirmatory factor analysis (CFA) (Podsakoff et al., 2003, Mossberger, Bennett, Kemery, & Wosolowski, 1998). For this, the regression weights of the assumed CFA model are compared to the regression weights of a CFA in which one common latent factor is added and correlated to each item. The common threshold value for the delta between the CFA without and the CFA with the common factor should be below .20. Of the 24 paths in our model, the highest delta value was .13, indicating that common method bias was not present in our data.

5. Results

5.1. Measurement model evaluation

We tested convergent and discriminant validity of the constructs, using a confirmatory factor analysis (CFA). Following Anderson and Gerbing (1988), we estimated the measurement models, with the eight conceptual latent variables and three control variables. The conceptual variables showed good convergent validity, in that the coefficient of every indicator on its underlying construct factor was significant (see Appendix B). Internal consistency was measured using coefficient alpha and average variance extracted (AVE). The coefficient alphas, which appear in Appendix B, ranged from 0.70 to 0.94, meeting the recommended threshold level of 0.70 (Nunnally, 1978). The AVEs, which also appear in Appendix B, ranged from 0.62 to 0.93, well above the recommended value of 0.50 (Baggozi and Yi 1988). We further compared the AVEs with the squared correlations between the constructs in the model, and found the former were much higher, showing discriminant validity (Fornell & Larcker, 1981).

5.2. Overall model evaluation and result overview

The results of the proposed service-centered model showed adequate fit ($\chi^2$/d.f. = 2.37; CFI = 0.953; RMSEA = 0.051) and
explanatory power ($R^2$ relationship value $= .56$; $R^2$ BGI $= .576$; $R^2$ RMI $= .126$). Relationship value was revealed to be a complementary mediator of the effects of brand equity and merchandising support on business growth intention (BGI). In addition to their effects being mediated by value, both variables exert a direct effect on BGI. Relationship value also mediated the effects of special treatment and customer advocacy on relationship maintenance intention (RMI), but without a direct effect. Overall, the five mediation hypotheses (H1-5med) are all supported by our data. The five direct effects from the resources to value (H1-5a, dir.) and the direct effects from value to the outcomes (H6a, b) are also supported. The detailed results, including the standardized coefficients, are presented in Table 2.

### 5.3. Result of hypothesis testing

As shown in Table 2, the majority of our hypotheses were confirmed. The retail buyer's perception of the vendor's brand equity had a strong, positive effect on both relationship value ($β = 0.347$; $p < 0.01$) and business growth intention ($β = 0.387$; $p < 0.01$), supporting H1a, dir. and H1b, dir. There was also a complementary mediating effect for value ($β = 0.184$; $p < 0.01$), supporting H1med.

The vendor's merchandising support had a positive, albeit weaker effect on both relationship value ($β = 0.103$; $p < 0.01$) and BGI ($β = 0.079$; $p < 0.05$), supporting H2a, dir. and H2b, dir. As was the case with brand equity, a complementary mediating effect for value was observed in the relationship between merchandising support and business growth intention ($β = 0.054$; $p < 0.01$), supporting H2med.

Consistent with H3a, dir., margin maintenance had a positive effect on relationship value ($β = 0.197$; $p < 0.01$); however, it did not have the hypothesized direct effect on BGI ($H3_a, β = −0.089$; $p < 0.01$). This shows indirect-only mediation ($β = 0.102$; $p < 0.05$), which suggests that value fully mediates the effect of margin maintenance on BGI, in support of H3med.

With respect to the social resources offered by the vendor, special treatment had a positive direct effect on relationship value ($β = 0.215$; $p < 0.01$), supporting H4a, dir.; however, it had no direct effect on RMI ($β = −0.050$), suggesting rejection of H4b, dir. Consistent with H4med., the effect of special treatment on BGI was indirectly mediated by relationship value ($β = 0.152$; $p < 0.05$).

The effects of customer advocacy were similar to those of special treatment. Customer advocacy had a positive effect on relationship value ($β = 0.274$; $p < 0.01$), lending support to H5a, dir.; however, it had no direct effect on RMI ($β = 0.120$), showing lack of support for H5b, dir. H5med. was confirmed ($β = 0.066$; $p < 0.01$), revealing an indirect-only mediation effect. In sum, value appears to fully mediate the relationship between the social resources embedded in the vendor's value proposition and RMI, the social outcome.

H6a and H6b, the hypotheses concerning the direct effects of relationship value on the relationship outcomes, were supported, in that relationship value had a strong, positive effect on both BGI ($β = 0.519$; $p < 0.01$) and RMI ($β = 0.242$; $p < 0.01$). It appears that from the perspective of the retail buyer, the vendor's economic and social resources enhance relationship value, and relationship value itself leads to positive relationship outcomes.

Control variables included in the model were buyer's experience, buyer's perception of the retailer's relationship power and product category purchased by the retail buyer (hard or soft goods). None of the three variables had a significant effect on our core variable, relationship value.

### 6. Discussion and theoretical implications

We have proposed a "service-centered" model of retail buyer–vendor relationships, built on a conceptual foundation of service dominant logic, into which we have integrated concepts from social exchange and relationship marketing theories. Lusch and Vargo (2011) argue that SDL is "pre-theoretical," and ripe for empirical testing. We contribute to the development of theory by presenting the results of an empirical test of SDL, based on a qualitative pre-study and a survey, and set in a business-to-business context. In our model, a vendor's value proposition is construed as a set of economic and social resources, as perceived by the retail buyer. The results of
our analysis offer insight into the economic and social processes by which business-to-business relationships operate. Both economic and social resources affect buyers’ perceptions of relationship value, which, in turn, drives the economic outcome of business growth intention (BGI) and the social outcome of relationship maintenance intention (RMI). The results of our analysis show a) value is a strong mediator of the process by which a vendor’s resources influence relationship outcomes; b) the mediating effects of value at the organizational level differ from its mediating effects at the individual level; c) at the organizational level, brand equity is a powerful driver of buyers’ perceptions of relationship value and business growth intention, and d) at the individual level, the sales representative’s special treatment and customer advocacy are important drivers of value; however, neither has a direct effect on the buyer’s relationship maintenance intention.

Our results support Vargo and Lusch’s (2004) contention that value is the locus of relationships, by showing that value is a strong mediator of the process by which a vendor’s resources influence relationship outcomes. In fact, the effect of value on relationship outcomes dominates the model, not only as a mediator, but also as a driver of relationship outcomes. Thus, our results offer empirical support for the importance of value, not only in the SDL paradigm, but as it is conceptualized in social exchange theory and in the pioneering relationship marketing work of Bagozzi (1975), Dwyer, Schurr, and Oh (1987) and Grönroos (1988). We propose that a vendor’s core competence may be its ability to offer retailers relationship value. We also propose that relationship value be added to the portfolio of “customer focused” relational mediators commonly used in relationship marketing research (see Palmatier et al., 2006).

Our results shed light on how relationships operate at both the organizational level, between a vendor and a retail firm, and at the individual level, between a vendor’s salesperson and a retail buyer. We distinguish between economic resources, exchanged at the organizational level, and social resources, exchanged at the individual level, and the processes by which these resources drive relationship value and outcomes. All of the economic and social resources affected the buyer’s perceptions of relationship value. However, the process by which this occurred differed by relationship level. At the organizational level, value mediated the effects of economic resources so that they influenced business growth intentions both directly and indirectly. At the individual level, value completely mediates the effects of the social resources on the buyer’s relationship maintenance intention.

At the organizational level, the economic resources of brand equity and merchandising support were subject to complementary mediation; that is, relationship value partially mediated their effects on business growth intention. This means that both brand equity and merchandising support had direct, unmediated effects on BGI, in addition to their indirect effects, through value. The strength of their direct effects, above and beyond that of value, suggests that for these two economic resources, another mediator, in addition to value, may be operating (see Zhao et al., 2010). The results of a meta-analysis of factors influencing relationship effectiveness suggest that the most likely candidate is trust, as its association with relationship outcomes is higher than that of either commitment or satisfaction (Palmatier et al., 2006).

Unlike brand equity and merchandising support, margin maintenance was subject to indirect-only mediation; that is, its effect on business growth intention was fully mediated by the buyer’s perception of relationship value. This finding is contrary to our expectation that, for this resource, the mediating effect of value would be complementary, i.e., both indirect and direct. SDL offers a possible explanation, in terms of the kinds of service “promises” offered by vendors to retailers. Both brand equity and merchandising support are proactive, forward-looking promises of the vendor’s ability to offer salable merchandise. Margin maintenance, on the other hand, is defensive in nature. It is a de facto service guarantee that the vendor will compensate the retailer if the vendor’s merchandise doesn’t sell as planned. The finding of an indirect-only effect for margin maintenance is important because it suggests that value is the only mediator of its effect on business growth intention.

At the individual level, the social resources of special treatment and customer advocacy were also subject to indirect-only mediation, a finding also contrary to our expectations. While both resources had a substantial effect on the buyer’s perception of value, neither resource had a direct effect on the buyer’s relationship maintenance intentions (RMI). Based on our pre-survey interviews with buyers, previous research by Wathne et al. (2001), and Granovetter’s (1985) embeddedness hypothesis, we had expected value to be a complementary mediator, i.e., the social resources would affect RMI directly, as well as indirectly, through relationship value. However, we underestimated the force of value as a mediator in interpersonal relationships.

It appears that if relationships terminate at the organizational level, social resources are not sufficient, in and of themselves, to sustain interpersonal relationships between sales representatives and buyers. However, the sales representative’s offer of social resources plays an important role in creating relationship value, which, in turn, drives the buyer’s relationship maintenance intentions. This finding contributes to SDL by demonstrating the role of social resources in driving the buyer’s perception of relationship value. It also contributes to the literature on relationship marketing by demonstrating the importance of value as a mediator in interpersonal relationships.

Our finding of indirect mediation for the social resources sheds light on the new “customer consulting” role of the sales representative in maintaining relationships, as opposed to focusing completely on selling (see Sheth & Sharma, 2008). By offering social resources, the sales representative influences the buyer’s perception of relationship value. If the inter-organizational exchange terminates, relationship value increases the likelihood a buyer will continue to interact with the sales representative, thereby creating an opportunity for the relationship to be revived, if conditions warrant. Indirect-only mediation also shows that at the interpersonal level, relationship value is likely to be the only mediator, adding further evidence that value should be added to the portfolio of relationship marketing mediators (see Palmatier et al., 2006).

The finding of indirect mediation also lends clarity to Granovetter’s (1985) thesis that economic exchange is transacted in the context of social relationships. If, in a business-to-business relationship, economic exchange terminates, social interaction between the sales representative and the buyer may continue. However, this will be the case only if the buyer perceives the relationship to have had value.

7. Managerial implications

We recommend that vendors position themselves as service providers who offer retailers the opportunity to co-create value. Retail buyers do not view their vendors as simply providers of merchandise. Rather, they consider them partners in serving consumers. To retail buyers, value is the “locus” of business relationships. As such, value drives buyers’ business growth and relationship maintenance intentions.

Both retailers and vendors tend to think of brand equity as a product-centered concept (Rust, Lemon, & Zeithaml, 2004). We propose, however, that brand equity is the most important resource in the vendor’s service offering. Brand equity is the major driver of the buyer’s perception of relationship value, as well as an important influence on the buyer’s business growth intentions. The importance of brand equity in the vendor’s value proposition suggests it should be added to the set of “soft” metrics vendors might use in evaluating their relationships with retailers.
Customer-specific offerings are essential in business-to-business relationships (Rokkan, Heide, & Watthe, 2003; Sheth & Sharma, 2008). In vendor–retailer relationships, such offerings include merchandising support. While the effect of merchandising support on both relationship value and business growth intentions is relatively low, it is still significant. This suggests merchandising support is a hygiene factor, a resource retailers expect vendors to offer as a basic service. However, we advise vendors to avoid relying on merchandising support as a differentiator, as its effects are weak.

Margin maintenance is an offer to compensate the retailer for lost gross margin, in the event the vendor’s merchandise does not sell as planned. As such, it can be construed as a service guarantee. Margin maintenance is important, because it contributes to the buyer's perception of relationship value. However, it has no effect on business growth intention. Vendors are advised that margin maintenance is a stop-gap measure, which will not “buy” future business with a retailer.

In “customer-focused” sales organizations, the role of the sales representative has evolved from a purveyor of merchandise to that of an expert on customer service and advocate for the buyer’s business (Sharma, 2001; Sheth & Sharma, 2008; Urban, 2004). Our results show that social resources, which include the sales representative’s special treatment and customer advocacy, are strong drivers of the buyer’s perception of relationship value. However, neither resource has a direct effect on the buyer’s relationship maintenance intentions. Previous research suggests that in the process of interacting, sales representatives and buyers may form interpersonal bonds that protect their firms from relationship termination (Watthe et al., 2001). Our pre-survey interviews revealed that retail buyers may continue to interact with sales representatives even after their firms terminate their business relationship. However, the results of our survey suggest that this will occur only if the buyer perceives the overall relationship with the vendor to have been valuable. In other words, service by the sales representative will not, in and of itself, influence a buyer’s relationship maintenance intentions.

Rather, the most important driver of relationship maintenance intentions is the buyer’s perception of relationship value. By influencing relationship value, the sales representative helps position the vendor, post-termination, to resume business quickly with a retailer, if the opportunity presents itself. The influence of value on relationship maintenance intentions is important, because a buyer’s willingness to continue to interact with a vendor’s sales representative is an opportunity to revive the business, if and when conditions are right.

The effect of special treatment and customer advocacy on relationship value suggests that sales representatives should be recruited and hired for customer service orientation as well as ability to sell. In addition, sales representatives should be trained and rewarded for meeting customer service goals, not just sales quotas (see Sheth & Sharma, 2008). However, a “customer consulting” strategy will have a positive effect on future business prospects only if enacted in an overall program geared towards working with the retailer to co-create relationship value.

8. Limitations and directions for future research

Our research was subject to limitations that suggest directions for future research. First, our study was limited to department store buyers. Speciality store buyers, who may purchase in smaller quantities and wield less power, may evaluate their relationships with vendors differently. Second, we collected data from only one side of the dyad. Given that retailers and vendors are engaged in “co-creating” and informal “co-branding”, information on how vendors perceive the value of relationships with retail clients would be enlightening. Another unknown is how vendors perceive the resources their retail accounts offer to them. In particular, how do vendors perceive retailers’ brand equity, or the ability of retailers to merchandise a vendor’s brand? A third limitation of our study is that it was cross-sectional. As the retail industry becomes more concentrated, retailers are likely to demand even more service of their vendors. Longitudinal data would allow us to monitor buyers’ on-going perceptions of economic and social resources of the vendor. Finally, our theory-driven model assumed two levels of resources and two levels of relationship outcomes aligned with those resources (i.e., economic resources “match” economic outcomes and social resources “match” social outcomes). Future research on potential cross-level effects would be useful.

Our results suggest additional ideas for future research. For example, previous research suggests that sales representatives “advocate” for their clients by marshaling resources from their own firms to offer better service (Sheth & Sharma, 2008). Further qualitative research, in the form of in-depth interviews, would enrich our understanding of what constitutes customer advocacy in the minds of retail buyers. Another direction for future research might include more studies of relationship dissolution and reinitiation (see Rust & Chung, 2006), particularly with respect to the role of the sales representative in this process. Compared to business growth intention (R² = .576) and relationship value (R² = .560) the R² values show that our model only partly explained the post-termination activities after relationship dissolution (R² = .126). Further research on the topic of buyers’ relationship maintenance intentions is thus promising but underdeveloped.

Additional ideas for future research include exploring the “dark side” of buyer–vendor relationships (Grayson & Ambler, 1999). For example, in our pre-survey interviews, buyers acknowledged that vendors would sometimes divert merchandise to their stores from the shipments of other retailers. Further research could explore how retail buyers view this type of behavior from an ethical perspective and what other extraordinary measures vendors take on behalf of their retail clients.

9. Conclusion

We have proposed and tested a service-centered model of buyer–vendor relationships, as perceived by retail buyers. Our results contribute to the development of marketing theory and practice in the following ways. First, our results support the SDL (Vargo & Lusch, 2004), by showing that perceived value mediates the vendor’s customer service offering on relationship outcomes. Second, our results contribute to the literature on relationship marketing by showing that business-to-business relationships operate at two levels to create value and more specifically, that value is the engine for growth and the foot in the door after dissolution. Third, we introduce brand equity as a service to the nomological net of buyer–seller relationships and show that the buyer’s perception of the vendor’s brand equity has the strongest effect on relationship value and buyer’s business growth intention. Finally, we address the question of how the sales representative’s customer service, including special treatment of the retail buyer and customer advocacy, contributes to short-term relationship value and long-term relationship outcomes. In ongoing relationships, both special treatment and customer advocacy have strong effects on relationship value, but have no effect on business growth or relationship maintenance intentions. Thus a valuable relationship, but neither special treatment nor customer advocacy, is a vendor’s lifeline.
Appendix A. Results from the interviews

Construct | Comments from the interviews
--- | ---
Vendors' brand equity | They help me compete in my market by being a status brand. [...] Being a vendor that does a lot of volume for us and has a prestigious name (R.C., p. 19).

It's their cup of tea, it's the right price... it's what she's looking for (C.H., p. 6).

Vendors' brand equity | It's that important to get the name in the store. [...] And the reason we deal with their rules and regulations is because we need that kind of business in the store (B.W., p. 15).

I want them [brands] to make a difference. [...] I want them [our store] to be a place where... they can come and realize that they can get this status... (B.W., p. 17).

I want them [Brand X] to be the leader in my entire world that the customer can come to them and say, "You know what? This is what [...] it's about. It's about having a specialist there that caters to my needs and understands this is what I want" (B.W., p. 18).

Merchandising support | There are some vendors in better zones, i.e. a Brand X [...] or a collection vendor like Brand Y or Brand Z that tend to [...] dictate, because they are high profile [...] a highly desirable vendor that everybody wants (C.H., p. 6).

... it's very important that the designer... the branded labels are really pulled together and are put up front and forward because it creates a certain image [...] You know, you walk into a department and say: "Oh, Brand X line, Brand Y line. This must be a good department." [...] We're brand-conscious today; so it's important to lead off with that (C.B., p. 1).

Merchandising support | Why do you think they get involved with the merchandising of the store? [...] Because they know it'll sell product. And [...] they probably do their own cost-benefit analysis and figure out [...] how much more product they can sell if they have a coordinator servicing our stores versus not (R.C., p. 21).

They're [merchandising coordinators] in the stores. They each have a region and are all in the stores. Which is great because they're our eyes and ears in the stores. [...] (B.W., p. 15).

Merchandising support | It's more important a lot of times than the product itself (C.H., p. 22).

So it's figures they offer you. That's exclusive to you? - No, no... just to anybody. [...] I mean, it may be where they give them to me for free versus somebody else they'll go charge them. 'Cause figures are expensive (C.W., p. 17).

Do the shoe vendors help you with merchandise in the store at all? [...] This is how your table should be set up. [...] And they'll provide [...] risers and signings and things like that. [...] Big branded resources [...] want to create a presence. [...] And most of the time they'll agree [to provide us with their tables] at their cost because they know how much it'll enhance the business (C.B., p. 21).

We ask them to go into our stores as much as they can and put out product (C.W., p. 6).

"...we don't have a so-to-speak guaranteed gross margin, but we have a gross margin plan which the vendor acknowledges before we even buy any of their goods..." (J.C., p. 3).

Margin maintenance | We do advertising with them [...] we rely on those guys for a lot of money for advertising (J.C., p. 17).

They might come to us and say: "We want to run advertising with you. We want to do a special in-store promotion with you. And we'll pay for it" (C.B., p. 14).

... so it's a kind of partnership [...] they will help us with the advertising (D.K., p. 16).

I do have guaranteed margins [...] what we will do is negotiate that up-front [...] because I say: "OK, we will let you in, but you have to give me a 45% gross margin" (D.K., p. 18).

Do you have a choice on which [collections/types of classifications] are they going to show you each month? No, that's something they do. [...] because they guarantee our margin [...] They're in the design business. So we... we kind of look towards them for the fashion leadership on that (R.C., p. 6).

We negotiate to mark it down and have the vendor help pay for the markdown (B.W., p. 19).

We almost always negotiate a margin guarantee with a new resource. [...] And it really is more to get them involved and to get their partnership in the business. Because if you don't have that guarantee, they're not paying attention to your business (C.B., p. 15).

Another one is [...] really knowing that if the product is not right -- and this did happen to us. [...] They gave us markdown money. [...] So, that's where they were definitely partners there (B.W., p. 9).

... as we went through our fall season, and we found out that our merchandise wasn't selling at the rates that we wanted to, they [the vendors] would help us out with markdown dollars (C.H., p. 12).

... there's things that the vendor is bringing to the table saying: "I need you to help me with that [...] normally I pay for the freight, what if you pay for the freight? [...] But to them it might not get at as good a freight rate as we can because we do so much business out there. And they might ask us: 'You know what? If I do that, you pay for this one advertising over here' (C.W., p. 17).

... he gave us a lot of money to mark the product down. More than he had given my counterparts. Because we played by the rules. Because we have to have a relationship after this (R.C., p. 12).

"... When you have a markdown problem, you call the vendor and you say, 'Listen, we took more markdowns as a percentage than we planned. Your gross margin is suffering from it: 'What I then do is say, 'Okay, I need $10,000 at cost from you.' So they'll say, 'Okay, You can have $1000'" (C.H., p. 6).

Special treatment | "... that would encompass shipping, being first with off-price offerings..." (C.W., p. 6).

So if I call them up and say: "I need you to get me more shoes..." they're going to get them to me before they are going to get them to XY or Z or whoever else...because of that relationship, because they will steal them from other people (D.K., p. 7).

... whenever something's selling really hot and they've got merchandise that's coming. I may be the first person that gets the shipped product. [...] That doesn't mean that (another store) isn't going to get it, but mine gets packed up first (D.K., p. 8).

... I think the biggest thing that they do [...] is to give us priority on delivery (Ch, p. 27).

... we get priority on delivery, we get priority on advertising, resources, and things like that" (Ch, p. 28).

If I know that something is coming in and I walk into a competitor's store and it's sitting there; then, that's a problem, and I can call the vendor. So the vendors have an understanding that we get shipped first (Ch, p. 27).

... one of the things about doing business for so long and you have such a great relationship with, is that if they don't have a certain number of product [...] we kind of hope that they'll treat us first and ship us first over someone else... (C.W., p. 13).

We think it's a phenomenal shoe. [...] they would want to know what was going on, and make sure that we're happy (B.W., p. 10).

She [the sales representative] was terrific in going back and presenting it to her management. And a lot of times we did that. A lot of times we would work it out together where she would take it to her management rather than us talking it over with the management. [...] She was phenomenal for our company but at the same time phenomenal for her company (C.W., p. 24).

... with new sales representatives I always sit them down and say: "OK, Your job as my sales representative is to do this, this, this, and this. [...] absolutely anything that will help them analyze the business better is a benefit to me" (C.B., p. 18).

Customer advocacy | It's another set of eyes and ears and brains analyzing the business... they listen and they take feedback" (JC, p. 14).

... treating the business just like she were the buyer of the business in analyzing... you know, classification opportunities, store opportunities, challenging me [...] She's [...] the most problem solving" (R.C., p. 20).

They [the vendors] wouldn't pass us off to anybody else, because they would want to know what was going on, and make sure that we're happy (B.W., p. 10).

She [the sales representative] was terrific in going back and presenting it to her management. And a lot of times we did that. A lot of times we would work it out together where she would take it to her management rather than us talking it over with the management. [...] She was phenomenal for our company but at the same time phenomenal for her company (C.W., p. 24).
Appendix B. Construct descriptions and measures

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Factor loadings (error variance)</th>
<th>Mean (SE)</th>
<th>AVE</th>
<th>CR</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vendor’s brand equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This vendor’s brand is desirable to our customers.</td>
<td>.68 (.543)</td>
<td>5.63 (1.32)</td>
<td></td>
<td></td>
<td>.64</td>
</tr>
<tr>
<td>The styling of this vendor’s line is right for our customers.</td>
<td>.81 (.346)</td>
<td>5.62 (1.23)</td>
<td></td>
<td></td>
<td>.60</td>
</tr>
<tr>
<td>This vendor’s line is priced appropriately for our store.</td>
<td>.50 (.639)</td>
<td>5.64 (1.21)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Merchandising support</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This vendor usually...</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>provides coordinators to help merchandise our floor.</td>
<td>.91 (.166)</td>
<td>3.93 (2.30)</td>
<td></td>
<td></td>
<td>.62</td>
</tr>
<tr>
<td>supplies fixtures for displaying merchandise.</td>
<td>.68 (.545)</td>
<td>2.11 (1.77)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>contributes money for our sales associates’ salary.</td>
<td>.44 (.804)</td>
<td>3.52 (2.38)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Margin maintenance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This vendor usually...</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>gives us allowance towards our gross margin.</td>
<td>.72 (.486)</td>
<td>4.11 (2.06)</td>
<td></td>
<td></td>
<td>.63</td>
</tr>
<tr>
<td>gives us markdown money if we need it.</td>
<td>.87 (.236)</td>
<td>4.49 (1.84)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>contributes money for cooperative advertising and promotion.</td>
<td>.47 (.780)</td>
<td>5.16 (1.74)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Special treatment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In our working relationship, this sales representative usually...</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>offers us off-price merchandise first, before other retailers.</td>
<td>.67 (.552)</td>
<td>3.74 (1.76)</td>
<td></td>
<td></td>
<td>.69</td>
</tr>
<tr>
<td>diverts merchandise from other retailers’ orders, if we need it.</td>
<td>.79 (.373)</td>
<td>3.78 (1.76)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ships our order first, before any other retailer’s.</td>
<td>.72 (.373)</td>
<td>3–92 (1.77)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(continued on next page)
### References


