



# The bonding effects of relationship value and switching costs in industrial buyer–seller relationships: An investigation into role differences

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## ABSTRACT

Despite the established importance of buyer–seller relationships in B-to-B markets, research to determine the differential effects that keep suppliers and customers in a relationship has been scarce. Referring to transaction cost analysis, this study investigates how switching costs and relationship value as perceived by each side unfold their bonding forces in such a relationship. Based on a large scale survey administered in Germany, Korea, New Zealand, and Argentina among marketing/sales and purchasing managers the study shows that relationship value has a stronger impact on intentions for relationship enhancement, search for alternatives and switch intention than switching costs for both buyers and sellers. Only with regard to relational tolerance and only for buyers do switching costs play a greater role than relationship value. Furthermore, buyers base their future relationship intentions more on the current state of the relationship than suppliers. Our results suggest that role differences must be taken into account when studying institutional arrangements in B-to-B markets.

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## 1. Introduction

Over the past two decades, research in business-to-business markets has increasingly focused on the study of buyer–seller relationships because relationships generate many benefits for organizations, e.g. in terms of increased performance, competitiveness, satisfaction, and innovation (Gummesson, 2004; Lindgreen & Wynstra, 2005; Ravald & Grönroos, 1996; Sharma et al., 1999). A buyer–seller relationship can be defined as a non-accidental sequence of market transactions between independent market actors (Kleinaltenkamp & Ehret, 2006). The literature suggests that companies maintain relationship bonds either because “they have to”, due to high switching costs, or because “they want to”, because of high relationship value (Bendapudi & Berry, 1997; de Ruyter et al., 2001; Gilliland & Bello, 2002; Gounaris, 2005; Liu, 2006). So far, there is little empirical evidence about the consequences of these two motives on companies’ behavioral intentions in relationships. In well-

functioning relationships, buyers and sellers not only show lower tendencies to search for and switch to alternative partners but are also expected to intensify their relationships and even temporarily tolerate disadvantages of being in business together (Anderson & Weitz, 1992; Bendapudi & Berry, 1997; Gounaris, 2005). Because there are many benefits at stake in business relationships, it is central for companies to better understand what influences the intentions of their partners.

One possible aid to understanding lies in the differing roles of business partners. However, role differences are largely underexplored in previous research, which is from either the buyer's perspective (e.g. Flint et al., 2002; Lapierre, 2000; Parasuraman, 1997; Ravald & Grönroos, 1996; Ulaga & Eggert, 2006), or the seller's perspective (e.g. Möller & Törönen, 2003; Simpson et al., 2001; Walter et al., 2001). Other studies have treated both suppliers and customers without accounting for their arguably very different role characteristics and perspectives (e.g. Kleinaltenkamp & Ehret, 2006). For example, the value received by a seller relates directly to generating a profit (through the sale of products or services), while the value received by a buyer has only an indirect effect on its profit by contributing, for instance, to more efficient market offerings. These role differences are expected to have serious repercussions on behavioral intentions and need to be further explored. This is important for both theory

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and practice since it will contribute to better understanding how to shape and influence the development of successful relationships with business partners depending on one's supply chain position.

Our objective in this paper is hence to investigate the effects of switching costs and relationship value on the behavioral intentions of the involved parties in buyer–seller relationships by looking specifically at the influence of each actor's role. This focus comprises buyer–seller relationships of different intensity of collaboration (Duffy, 2008), with or without a binding formal contract, but excludes other types of business relationships such as horizontal strategic alliances.

The remainder of the paper is structured such that in Section 2, we present the theoretical framework by reviewing the literature on switching costs, relationship value, and role differences. Section 3 contains hypotheses while Section 4 details data collection and measures. Using regression techniques on buyer and seller data sets, we present results in Section 5. The last section discusses results, limitations, and managerial implications.

## 2. Theory and literature review

### 2.1. The emergence of two bonding dimensions in buyer–seller relationships

The literature on industrial marketing seems to agree that companies maintain relationships either because they have to or because they want to. The commitment concept helps understand this duality in bonding rationales. Commitment occupies a central role in the study of successful relationships between firms (Gilliland & Bello, 2002; Gundlach et al., 1995; Hunt et al., 2006; Morgan & Hunt, 1994). While early research models commitment as a one-dimensional construct (e.g. Andaleeb, 1996; Anderson & Weitz, 1992; Ganesan, 1994), later studies often highlight its duality. Bendapudi and Berry (1997) approach this dichotomy as “dedication-based” versus “constraint-based” relationship maintenance. In other studies, “affective commitment” is the extent to which partners like to stay in existing relationships while “calculative commitment” is the degree to which they need to stay (de Ruyter et al., 2001; Geyskens et al., 1996). Brown et al. (1995) used “normative” and “instrumental” commitment for very similar notions of bonding between firms. Söllner (1999) bases his arguments on transaction cost analysis (TCA) and becomes somewhat more specific about the bonding dimensions in buyer–seller relationships: on the one hand, instrumental and attitudinal inputs by one partner are specific economic or social-psychological investments<sup>1</sup> that would be lost outside the focal relationship and hence act as *switching costs*. In order not to incur those switching costs the partner stays in the relationship. On the other hand, relationship outputs (performance, justice) represent another bonding dimension which makes business partners want to stay in a relationship. More recently, this voluntary dimension is investigated as *relationship value* (Corsaro & Snehota, 2010; Ulaga, 2003; Ulaga & Eggert, 2006).

### 2.2. Switching costs as a bonding dimension

Switching costs as relationship bonding dimensions can be explained by TCA (Rindfleisch & Heide, 1997). In TCA, economic actors choose institutional arrangements, e.g. markets, organizations, or relational exchanges, which minimize their transaction costs.

These costs depend on environmental and behavioral uncertainty and on the degree of asset specificity. Environmental and behavioral uncertainty arise from economic actors' bounded rationality and opportunism, TCA's two main assumptions (Williamson, 1985). In long-term economic exchange, environmental uncertainty can lead to adaptation problems while behavioral uncertainty leads to performance evaluation problems (Rindfleisch & Heide, 1997). Asset specificity is “the degree to which an asset can be redeployed to alternative uses and by alternative users without sacrifice of productive value” (Williamson, 1991, p.281), and leads to a safeguarding problem. In TCA, medium levels of the aforementioned problems are best governed by relational exchange, e.g. buyer–seller relationships, but are the basis for switching costs in such relationships.

In buyer–seller relationships some assets possess value in only this focal relationship and thus require relationship-specific investments. These can be consciously-made specific investments into physical or site-specific assets (Handfield & Bechtel, 2002; Haugland, 1999; Heide, 1994) or can be unconsciously developed relationship-specific assets like workforce skills (Söllner, 1999) or trust in the partner. Dissolution of the current relationship necessitates actors investing in new relationship-specific assets in new relationships. These investments together with relationship termination costs and search costs for new partners represent an economic actor's switching costs (Bendapudi & Berry, 1997). They tend to force partners to stay within buyer–seller relationships as the “have to” bonding mechanism.

### 2.3. Relationship value as a bonding dimension

While many authors criticize TCA for failing to recognize that value creation rather than minimizing costs is the primary goal of business exchange (e.g. Anderson, 1995; Ghosh & John, 1999; Madhok & Tallman, 1998; Zajac & Olsen, 1993), others see TCA as a starting point for analyzing value creation between exchange partners. Kleinaltenkamp and Ehret (2006) position specific investments as a source of switching costs but also as an important source of value creation. Indeed, productivity advantages of specific investments become apparent when the original TCA assumption “*output is held constant*” (Williamson, 1985, p.85) is given up (Kim, 1999; Kleinaltenkamp & Ehret, 2006). Since specific investments are particular to the focal relationship, the associated gain referred to as “quasi-rent” can only be realized between the involved parties (Backhaus & Büschken, 1999). By making specific investments for a customer, a supplier can help this particular customer in developing more efficient operations or in better differentiating its market offerings (Ghosh & John, 1999). Consequently, the creation of superior value increases the customer's willingness to pay for the supplier's offerings which results, in turn, in a higher customer lifetime value for the supplier. The same applies in converse when a customer specifically invests in a supplier.

Transaction value analysis (TVA) argues that economic actors shape the governance structures of exchange based on value considerations more than on cost considerations (Zajac & Olsen, 1993). Firms maintain relationships to benefit from their positive outcomes (Lindgreen & Wynstra, 2005). This reflects in relationship marketing developments over the last two decades which rely on the premise that relational exchange generates superior value for involved parties compared to transactional exchange (e.g. Gummeson, 2004; Ravalid & Grönroos, 1996; Sharma et al., 1999). For instance, Kumar (1999) shows that service providers with a relational approach to their customers deliver superior value and achieve greater financial returns than firms with a transactional approach. Relationships reduce the direct and indirect costs for the buyer, which tends to increase the financial performance of the purchasing firm (Simpson et al., 2001). Collaborating with a trade partner over time can also generate value by favoring information acquisition and exchange. Ganesan (1994)

<sup>1</sup> A vast body of literature deals with social psychological aspects such as satisfaction, trust or personal bonds on the person-to-person or person-to-company level of buyer–seller relationships. We acknowledge the importance of those constructs in understanding many aspects of buyer–seller relationships. In this study, however, we deem economic theory best suited for our focus on role differences and therefore do not include social-psychological aspects.

shows positive correlations between the long-term orientation of relationships with the anticipated and actual performance of interdependent members within a distribution channel. Overall, interfirm cooperation in buyer–seller relationships is associated with a number of positive economic and non-economic outcomes (Anderson et al., 1994; Geyskens et al., 1999).

The concept of relationship value has emerged as an aggregate measure for relationship outputs (Corsaro & Snehota, 2010; Ulaga & Eggert, 2006). Relationship value can be defined as the sum of the benefits and cost reductions generated in an ongoing exchange with a business partner (Lefaix-Durand et al., 2009). So far, research on relationship value is directed at better understanding the drivers of value creation within relationships (e.g. Lapierre, 2000; Ulaga & Eggert, 2006; Walter et al., 2001; Zeithaml, 1988), the multidimensional and dynamic nature of value creation in business relationships (e.g. Beverland & Lockshin, 2003; Cannon & Homburg, 2001; Eggert et al., 2006; Flint et al., 2002; Hogan, 2001), and the processes through which value develops (e.g. Lepak et al., 2007; Prahalad & Ramaswamy, 2004). Investigation of processes starts addressing the question for whom and by whom value is created in a relationship while studies conducted at the network and dyadic analysis levels highlight differences in value perceptions between buyers and sellers. These developments highlight the need to further investigate role differentials and their consequences on behaviors in relationships.

#### 2.4. Role differences in buyer–seller relationships

Studies of value creation in business relationships are mainly conducted from either the customer perspective (e.g. Flint et al., 2002; Lapierre, 2000; Parasuraman, 1997; Ravald & Grönroos, 1996; Ulaga & Eggert, 2006) or the supplier perspective (e.g. Möller & Törören, 2003; Simpson et al., 2001; Walter et al., 2001). Very few dyadic studies on relationship value have considered both sides of particular relationships (Lefaix-Durand & Kozak, 2010).

Yet, the literature provides a starting point to study role differences in relationship value between buyers and sellers: from a value chain perspective (Porter, 1985), as taken in this paper, the fundamental difference between a supplier and buyer is that a focal buyer–seller relationship is located toward the end of a supplier's value chain and toward the outset of a buyer's value chain.

For supplying companies, a focal customer relationship has a direct impact on profits, and hence on maximizing shareholder value. The supplier delivers goods and services within this relationship, receives payment and makes profit. Walter et al. (2001) refer to this purpose as the profit function of the relationship. Other direct relationship functions from a supplier perspective include a volume function which contributes to a supplier's capacity utilization, and a safeguarding function which helps protect the supplier against crises. Although suppliers profit from a buyer–seller relationship indirectly from learning (Cheung et al., 2010), innovation, market intelligence, or by generating extra business as a door-opener to other organizations, the direct functions have obvious impacts.

Direct impacts of the relationship from a buyer's perspective are, however, more diverse and early in its value chain: a buyer attempts to save costs in lower prices for goods and services, but also in the purchasing and supply process (Cousins & Spekman, 2003; Ulaga & Eggert, 2006). The buyer values flexibility and reliability of supply and needs to secure and improve quality levels of the supplied goods and services. Other direct functions include innovation and technology transfer as well as process innovation to shorten time-to-market and cycle times (Cousins & Spekman, 2003; Nyaga et al., 2010). These benefits are dispersed in the value chain of the buying firm such as in purchasing, inbound logistics, manufacturing and assembly, or research and development. Relationship value is therefore not as easily and unambiguously perceived by a buyer as by a seller. If the goals associated with a buyer–seller relationship from a buyer's

perspective are fulfilled, the relationship delivers high relationship value and contributes to the buying company's economic success, but indirectly.

From a buyer's strategic perspective, intensifying a given relationship may help supplier-base consolidation, to decrease costs of handling a large supplier base (Swift & Coe, 1994; Ulaga & Eggert, 2006). Intensification can also help secure valuable input resources and protect them from competitors' use. Overall, establishment of collaborative buyer–seller relationships has gained importance over the last decade. Purchasing and supply chain management is nowadays considered strategic because of its manifold repercussions on a buying company's own competitive advantage (Cousins & Spekman, 2003).

Institutional considerations provide more arguments for role-specific differences in the perception of relationships: buyers' and sellers' rationales to bind themselves and be bound diverge. A buyer generally tries to avoid dependence on a particular supplier (Liu et al., 2005) but companies today tend to trade in some of their independence against cost savings by having fewer, heavily bound, high value suppliers (Swift & Coe, 1994). Suppliers, on the other hand, try to stabilize their customer base because customer retention is less costly than customer acquisition (Reichheld, 1993). Binding customers is therefore an important objective for suppliers.

### 3. Hypotheses development: Buyers' and sellers' behavioral intentions in relationships

Based on the review above, we develop hypotheses for the differential buyer–seller bonding effects of switching costs and relationship value on these outcomes: *relationship enhancement*, *relational tolerance*, *search for alternatives* and *switch intention*. They are developed on the basis of clear indications in the literature and presented at the end of each subsection.

#### 3.1. Effects on relationship enhancement

Bendapudi and Berry (1997) define relationship enhancement from a buyer's perspective as “*broadening and deepening the relational bonds with the service provider. That is, the customer makes investments in the relationship to enhance it beyond the status quo. These investments might include buying additional services, providing capital, information, manpower or other resources, or participating in company events*” (p.29). This description also applies for suppliers: they generally try to leverage an existing relationship by cross-selling or offering new services (Davies et al., 2007), providing capital, information, and dedicated staff or adapting their production and logistics to customer demands (Tuli et al., 2007). However, the degree to which a customer or a supplier is ready to enhance their relationship varies according to the current state of their relationship. We first discuss the buyer side.

If relationship value is high from a buyer's perspective, the focal relationship strongly contributes to achieving company goals: the more value (in terms of cost savings, innovation, reliability, flexibility, etc.) the relationship produces, the more will the customer wish to enhance the relationship to obtain still more value.

When a customer's switching costs are already high, making more relationship-specific investments would raise dependence on the particular supplier (Bendapudi & Berry, 1997; Gounaris, 2005). Because buyers value independence, high switching costs will reduce their willingness to intensify the relationship. On the other hand, high switching costs decrease their ease of doing business with another supplier so in order to efficiently use resources they would rather intensify the current relationship than try to find alternative partners. Thus, there exist arguments for both positive and negative influences of buyer switching costs on relationship enhancement.



From the supplier perspective, the reasoning on relationship value effects is similar. If relationship value is high a supplier earns good profit, receives other benefits, and wants to enhance the relationship.

Concerning supplier switching cost effects, the independence argument is not so important unless the supplier is heavily dependent on that particular customer. A supplier generally invests in a specific relationship in order to create additional value for the customer and thereby indirectly profit from higher customer's willingness-to-pay. Hence, a higher current level of switching costs is expected to positively influence a supplier's propensity for relationship enhancement.

When comparing supplier and buyer perspectives, relationship value is anticipated to play the dominant role in determining relationship enhancement compared to switching cost effects. We propose switching costs as more important in explaining supplier relationship enhancement than buyer enhancement because the buyer likes independence. Consequently, we formulate the following hypotheses on relationship enhancement:

**H1a.** Buyer perceived relationship value is positively associated with its intentions for relationship enhancement.

**H1b.** Buyer perceived relationship value is more strongly (positively) associated with its intentions for relationship enhancement than are buyer switching costs.

**H1c.** Supplier perceived relationship value is positively associated with its intentions for relationship enhancement.

**H1d.** Supplier switching costs are positively associated with its intentions for relationship enhancement, albeit not as strongly as supplier perceived relationship value.

**H1e.** Buyer switching costs are less related with its intentions for relationship enhancement than supplier switching costs with supplier relationship enhancement.

### 3.2. Effects on relational tolerance

Business-to-business relationships experience conflict (Brown et al., 1983) and reasons why partners originally entered into the relationship become blurred. The strength of interfirm bonds determines the parties' propensity to accept temporary disadvantages and exhibit relational tolerance (Anderson & Weitz, 1992). Buyers manifest tolerance by accepting some opportunism or unethical behavior (Fullerton, 2003; Ganesan et al., 2010), with higher willingness-to-pay (de Ruyter et al., 2001), or by granting short-term financing aid to suppliers. A supplier exhibits relational tolerance by tolerating demands for price cuts or unpaid extra services, longer than agreed terms of payment, and other customer demands that decrease profit.

High relationship value provides one explanation for buyers' relational tolerance. Buyers in high-value supplier relationships tend to accept temporary disadvantages while the overall relationship value remains superior to alternative relationships. In many cases, however, higher relationship value means less supply independence for the buyer. If relationship value is threatened temporally, a buyer might try to avoid temporal disadvantages, independently of their perception of total relationship value, by showing psychological reactance (Brehm, 1966) and replying with more conflict (less tolerance).

For switching costs from current to new supplier, as long as they are higher than the damage the buyer incurs by showing relational tolerance, it is better for the buyer to be tolerant than to switch. In comparing the differential effects of relationship value and switching costs on relational tolerance, prospect theory as a specification and extension of TCA's assumption of bounded

rationality sheds light on expected differences. According to the bounded rationality assumption, decision makers try to act rationally but are limited by their cognitive capacities. Prospect theory makes the similar assumption that "*a comprehensively inclusive context, which incorporates all the relevant details of the present situation as well as expectations of all future opportunities and risks*" is highly unrealistic (Kahneman, 2003, p. 706). Indeed, the bounded rationality of decision makers often means "narrow framing": evaluating consequences of decisions using current situations as reference points. Thus, they assess decisions and expected consequences in terms of changes, i.e. losses or gains, not in terms of final states of wealth. According to prospect theory, losses loom larger than gains of the same (monetary) amount (Kahneman & Tversky, 1979). Consequently, decision makers generally try harder to avert a loss than to achieve a gain of the same magnitude.

A buyer does not willingly accept disadvantages. The buyer has two choices: to abide by the supplier's demands and incur a relatively certain but limited temporal loss, or to resist the supplier's demands and thereby create more conflict. Possibly, the supplier subsequently lowers or drops its demands or re-adapts its behaviors. However, the supplier might also break off the relationship (Alajoutsijärvi et al., 2000). This possibility makes a difference when comparing the effects of relationship value and switching costs on a buyer's relational tolerance. Although relationship value is a positive bond and a gain for a buyer, that value possesses many manifestations within the buyer firm's value chain, so a potential value loss is not so easily identified. Buyer switching costs, however, are easily perceived as potential losses. Since losses loom larger than gains (Kahneman, 2003), relinquishing relationship value gains appears less negative than switching cost losses if the relationship is broken off by the supplier.

For supplier switching costs, similar arguments as for customers apply in many respects. Suppliers, similarly to buyers, are likely to accept temporary disadvantages in superior value relationships. Additionally, suppliers generally want to bind valuable customers even at the expense of a lower relationship value. We therefore propose that higher switching costs lead to higher relational tolerance. Comparing supplier perceived relationship value and supplier switching costs, however, the arguments are slightly different than for the buyer. Supplier perceived relationship value has a more direct profit impact than buyer perceived relationship value (Ulaga & Eggert, 2006; Walter et al., 2001). A change in relationship value, e.g. when there is a chance that the relationship is broken off by the other party, can therefore be regarded as much more salient for the supplier than for the buyer. Also, the perception of buyer and seller switching costs – especially those depending on specific investments – differs between buyers and sellers. Suppliers regard specific investments as a means to bind customers (Kleinaltenkamp & Ehret, 2006). They do not worry about independence. Their concern regarding incurring switching costs results only from the possibility of being exploited. Hence we expect that the possibility of incurring switching costs due to relationship termination does not loom as large for a supplier as for a buyer. We summarize our discussion of relational tolerance antecedents in the following hypotheses:

**H2a.** Buyer perceived relationship value is positively associated with its relational tolerance.

**H2b.** Buyer switching costs are more positively associated with relational tolerance than is buyer perceived relationship value.

**H2c.** Supplier perceived relationship value is positively associated with its relational tolerance.

**H2d.** Supplier switching costs are positively associated with its relational tolerance.

**H2e.** Supplier perceived relationship value has a greater impact on supplier relational tolerance than buyer perceived relationship value on buyer relational tolerance; whereas supplier switching costs have a lesser impact on supplier relational tolerance than buyer switching costs on buyer relational tolerance.

### 3.3. Effects on search for alternatives

*Searching for alternatives* as an intention in a relationship can be a means of complementing the current base of business partners, the first step to replacing an existing relationship or a method to improve one's own position within an existing relationship by stimulating the current partner to continuously stay ahead of alternative business partners.

According to Bendapudi and Berry (1997) a general search tendency can be observed: no customer is blind to alternative suppliers. In constraint-based relationships, customers exhibit a higher tendency to search for alternatives than do customers in dedication based relationships (Bendapudi and Berry, 1997). Eggert and Ulaga (2003) find a strong negative association between customer-perceived value and search for alternatives, indicating that the higher relationship value for a customer is, the less likely it is to search for alternative suppliers.

Turning to customer switching costs, the picture is not that clear. On the one hand, customers with high switching costs have made relationship specific investments. These investments only pay off when the current relationship is maintained. On the other hand, buyers generally value their independence from a particular supplier. Searching for alternatives while facing high switching costs in specific relationships could be a suitable balancing measure to reestablish the desired independence.

The effects of relationship value on search for alternatives should be similar for sellers as for buyers. Indeed, high value relationships with customers directly contribute to corporate goals and should reduce suppliers' tendency to search for alternative business partners.

The effects of switching costs on sellers' intentions to search for alternatives, however, are likely to be different than for buyers. First, searching for alternatives takes a different meaning from a supplier's standpoint. Sellers are more likely to search for alternative customers in order to stabilize, broaden or complement their customer base, rather than to switch and "replace" existing customers (Tähtinen & Halinen, 2002). Hence, overall intentions to search for alternatives would be stronger for sellers than for buyers. Second, most supplier switching costs relate heavily to relationship specific investments. A supplier makes these investments to create more value for the customer and indirectly create more value for itself. However, the higher its switching costs are the higher is the amount at stake and the higher the risk that the customer appropriates some of the available quasirent. By searching for and developing alternative customer relationships into which specific investments can be redeployed, suppliers can decrease the risk of being exploited. We express our discussion on search for alternatives in the following hypotheses:

**H3a.** Buyer perceived relationship value is negatively associated with its tendency to search for alternatives.

**H3b.** Buyer perceived relationship value is more strongly (negatively) associated with its tendency to search for alternatives than are buyer switching costs.

**H3c.** Supplier perceived relationship value is negatively associated with its tendency to search for alternatives.

**H3d.** Supplier switching costs are positively associated with its tendency to search for alternatives.

### 3.4. Effects on switch intention

The most radical behavioral consequence in a buyer–seller relationship which we investigate is a business partner's intention to terminate the current relationship and replace it with another partner, which we label *switch intention*. Conceptually, it is the opposite of (customer) loyalty. However, since switching means changing the status quo, switch intention seems to be a more meaningful dependent variable than loyalty: business partners have to actively pursue a switch whereas staying loyal can happen out of inertia. As a potential outcome of buyer–seller relationships, switch intention has been used before (e.g. de Ruyter et al., 2001; Morgan & Hunt, 1994), but certainly less frequently than loyalty.

From the buyer's point of view, switching to alternative suppliers is normally hindered by the value of the existing relationships. The higher the value of a supply relationship is, the lower the buyer's intention to terminate and replace the relationship. In the same vein, switching costs are assumed to dampen a buyer's switch intentions. Further, relationship value should have a stronger effect on switch intentions than switching costs. While considering an alternative supplier, a buyer will most likely compare the value of the existing and potential relationships before even considering the costs incurred by switching. If the value of the existing relationship is satisfying (given 'comparison level') or if the value differential is not high enough, the customer will probably just abandon any intention to switch.

In the case of sellers, the termination of customer relationships is still rather uncommon, even in unsatisfactory buyer–seller relationships (Backhaus & Büschken, 1999). We hence expect a low level of supplier switch intention, since customer loyalty is generally regarded as favorable by suppliers. Of course, when a given relationship offers the supplier higher relationship value, its switch intention would further decrease. Along the same lines we expect supplier switching costs to be negatively associated with their switch intentions. All arguments on switch intention taken together, we hypothesize:

**H4a.** Buyer perceived relationship value is negatively associated with its switch intentions.

**H4b.** Buyer switching costs are negatively associated with its switch intention, albeit not as strongly as buyer perceived relationship value.

**H4c.** Supplier perceived relationship value has a mild negative association with its switch intention.

**H4d.** Supplier switching costs have a mild negative association with its switch intention.

**H4e.** Buyer perceived relationship value and buyer switching costs exert a greater negative influence on buyer switch intention than do supplier perceived relationship value and supplier switching costs on supplier switch intention.

## 4. Method

### 4.1. Data collection

To enhance generalizability of our results we tested our hypotheses using data gathered in a survey of purchasing managers and marketing/sales managers in four countries: Germany, Korea, New Zealand, and Argentina. The survey used the key informant technique where a knowledgeable company representative acts as a respondent for his or her organization (Campbell, 1955). As we do not compare buyers' and the suppliers' reports within dyads, we collected data from purchasing and marketing/sales managers independently (Heide & John, 1995).

In order to keep response rates at an acceptable level a rather short questionnaire was used. It was first administered in Germany, utilizing both established and newly developed measures. The instrument was then translated into English. The proper connotations and idiomatic language use were assured by either using the original English language scales or by discussing the meanings and connotations of the English compared to the German version with the involved researchers. For Korea and Argentina, the instrument was translated from English into Korean and Spanish and back translated to check for correctness. In Argentina, both the English and the Spanish version were available for respondents.

In all countries, the survey instrument was administered as a pencil & paper exercise by mail. In case of no response one reminder was sent. In Germany, purchasing managers were also handed out the survey in person at a trade fair; however, they completed the questionnaire in private and sent it back by mail. In Korea, respondents could also send back the completed questionnaire by e-mail or fax. In Argentina, an online survey was run in parallel to increase response rates at an acceptable cost and in an unproblematic manner (Deutschens et al., 2006). In New Zealand, the initial questionnaire mail-outs were followed by a reminder letter to increase response rate. Key informant addresses mainly originated from mailing lists available at the authors' academic institutions, from commercial data base providers or trade associations. This way a cross-sectional sample with responses from a wide range of industries and company sizes could be drawn, increasing generalizability. As incentives to the respondents, exclusive results reports were offered as well as the participation in a raffle where survey participants could win Amazon vouchers.

In the survey, respondents were asked to answer the questions with regard to one specific supplier or customer relationship. To obtain sufficient variance for effective analysis, we randomly asked one half of the respondents to select a well-functioning relationship as the questionnaire subject and the other half a rather problematic one (for a similar procedure see Tellefsen & Thomas, 2005).<sup>2</sup> Overall response rates were satisfactory at a level of 18.20 % for sellers and 10.93 % for buyers. Respondent and company details can be seen in Table 1.

#### 4.2. Measures

For our two exogenous constructs, relationship value and switching costs, multi-item scales were used in order to fully assess the construct domains, while all dependent measures were taken as meaningful single item measures. The object of this study's questionnaire is a single clearly-identified buyer–seller relationship for each respondent, and hence is “concrete” (Rossiter, 2002). The attributes assessed for the dependent variables are of the type that have little disagreement between raters, so are also deemed concrete. In this situation of concrete object and attributes, there do not appear to be disadvantages (Bergkvist & Rossiter, 2007): in fact, it is preferable to use single items, as do Bolton et al. (2003) and Palmatier (2008), because multiple items would simply be synonyms. As Rossiter (p. 314) notes, a set of synonyms tends to reduce rather than enhance validity. The exact wording of all items can be found in Appendix A.

Since we had collected data in four different countries, we needed to establish comparability of the measures before analysis. Following the set of steps proposed by Steenkamp and Baumgartner (1998) we

established configural and partial metric measurement invariance for the multi-item measures in the different countries. We could thus subsequently analyze the data together (Cannon & Homburg, 2001).

To assess construct reliability and validity of the independent variables, we estimated a confirmatory factor analysis based on the total sample. The chi-square test is statistically significant ( $\chi^2_{(34)} = 145.69$ ,  $p < .01$ ) while the normed fit index (NFI), the Tucker–Lewis fit index (TLI) and the root mean square error of approximation (RMSEA) indicated satisfactory model fit (NFI = .963, TLI = .953, RMSEA = .061). All indicator reliabilities were above the recommended threshold value of .4 (Baumgartner & Homburg, 1996, see Appendix). For relationship value, the average variance extracted (AVE) was .53, for switching cost it equaled .54, exceeding the critical value of .50 (Fornell & Larcker, 1981). Factor reliability equaled .92 for relationship value and .82 for switching costs, both above the recommended threshold of .60. Coefficient alpha was .87 for relationship value and .82 for switching costs. Discriminant validity was assessed according to the Fornell–Larcker criterion: every construct's AVE is higher than the highest squared correlation with any other construct (Fornell & Larcker, 1981). After validation of the measurement models we summated the items for each construct in line with Cannon and Homburg (2001) and Ulaga and Eggert (2006). We thus circumvented the problematic instability of factor scores across different sub-samples as well as the problems attached to measurement model invariance (Steenkamp & Baumgartner, 1998) when comparing different groups, such as buyers and sellers.

#### 5. Results

Descriptive statistics for the supplier and buyer samples are displayed in Table 2. Zero-order correlations between dependent variables (DV) and independent variables (IV) in both sub-samples are in the hypothesized directions for all DVs and statistically significant at  $p < .001$ .

In the following presentation of results, subscripts are used to denote the respective figures for buyer (subscript “b”) and sellers (subscript “s”). While suppliers tend to have a perception of higher relationship value ( $M_s = 5.23$ ) and switching costs ( $M_s = 4.43$ ) in a given relationship than buyers (relationship value:  $M_b = 4.53$ , switching costs:  $M_b = 4.05$ ), they also show higher scores on intentions for relationship enhancement ( $M_s = 5.50$  vs.  $M_b = 4.41$ ), relational tolerance ( $M_s = 4.79$  vs.  $M_b = 3.87$ ) and a lower switch intention ( $M_s = 2.77$  vs.  $M_b = 3.45$ ). All mean differences between suppliers and buyers except for search for alternatives are significant at  $p < .001$ . This observation is a first hint that overall a customer relationship is more important to the supplier than a supplier relationship is to a customer. Another piece of evidence along that line is provided by comparing zero-order correlations between IVs and DVs in the supplier and buyer samples: except for relational tolerance, correlations between IVs and DVs are stronger in the buyer sample. This indicates that a buyer's behavioral intentions in a buyer–seller relationship depend more on the state of the relationship than a seller's intentions.

For hypothesis testing we computed regressions for each DV and each sub-sample (buyers, sellers) separately: the DV was regressed on relationship value and switching costs. For exploratory purposes we also included a standardized interaction term for relationship value and switching costs. The heterogeneity of our data made it necessary to control for various influences which included company size (in terms of turnover) as well as dummy controls for Korea, New Zealand and Argentina (the German data being the biggest country specific sub-sample was used as the reference group; c.f. Hair et al., 2010) and relationship phase prior to termination. Industry dummies did not prove meaningful control variables. To account for possible strength differences of the regression coefficients of our IVs in the different subgroups, we also included interaction effects between

<sup>2</sup> For well-functioning relationships, the wording was “Please consider a relationship with one customer in your area of responsibility which is very satisfying and highly successful from the point of view of your organization (for example, an “A” customer, or key account).” In the case of problematic relationships respondents were asked: “Please consider a relationship with one customer in your area of responsibility in which your company has made substantial investments but which is not satisfying and does not correspond to the expectations of your organization.”



**Table 1**  
Sample characteristics.

		Supplier sample					Buyer sample				
		Total	GER	KOR	NZ	ARG	Total	GER	KOR	NZ	ARG
Total responses [#]		521	194	120	73	134	373	105	120	52	96
Response rate [%]		18.20%	18.90%	17.40%	13.01%	22.9%	10.93%	6.50%	15.10%	9.37%	21.4%
Industry [%]	Chemical, Utilities, Energy	16.2%	9.3%	32.5%	4.2%	17.9%	22.8%	9.5%	38.3%	7.7%	26.0%
	Mechanical	13.1%	29.9%	5.8%	2.8%	.7%	9.7%	20.0%	11.7%	1.9%	.0%
	Electronics & electrical	10.2%	14.9%	8.3%	7.0%	6.7%	11.3%	14.3%	12.5%	13.5%	5.2%
	Automotive	7.3%	10.8%	8.3%	4.2%	3.0%	7.2%	11.4%	8.3%	3.8%	3.1%
	FMCG & retail	8.9%	5.2%	.0%	12.7%	20.1%	9.1%	3.8%	.0%	15.4%	22.9%
	Construction	6.2%	5.2%	7.5%	12.7%	3.0%	6.4%	10.5%	7.5%	1.9%	3.1%
	Technical services	11.6%	8.2%	20.8%	12.7%	7.5%	10.5%	9.5%	11.7%	21.2%	4.2%
	Professional services	9.6%	3.6%	11.7%	8.5%	17.2%	7.8%	9.5%	3.3%	5.8%	12.5%
	Telecoms & IT	9.4%	8.2%	3.3%	5.6%	18.7%	6.4%	6.7%	1.7%	3.8%	13.5%
	Other	7.5%	4.6%	1.7%	29.6%	5.2%	8.8%	4.8%	5.0%	25.0%	9.4%
Company size [# of employees]	Up to 50	19.8%	18.6%	5.8%	38.4%	23.9%	13.4%	15.2%	.8%	36.5%	14.6%
	51 to 100	11.9%	12.4%	2.5%	19.2%	15.7%	9.7%	11.4%	2.5%	17.3%	12.5%
	101 to 500	33.8%	39.7%	30.8%	30.1%	29.9%	29.5%	27.6%	28.3%	30.8%	32.3%
	501 to 1000	10.4%	6.7%	22.5%	6.8%	6.7%	17.4%	12.4%	26.7%	7.7%	16.7%
	1001 to 5000	15.9%	12.4%	31.7%	5.5%	12.7%	21.4%	19.0%	33.3%	7.7%	16.7%
	More than 5000	8.3%	10.3%	6.7%	.0%	11.2%	8.6%	14.3%	8.3%	.0%	7.3%
Relationship duration [years]		11.83	11.99	12.85	12.71	10.22	9.88	9.78	9.00	10.16	10.93
Relationship phase	(extended) Start up	24.2%	26.3%	21.7%	13.7%	29.1%	22.0%	22.9%	25.8%	7.7%	24.0%
	Consolidated	72.0%	67.5%	75.8%	86.3%	67.2%	66.8%	62.9%	67.5%	73.1%	66.7%
	Prior to termination	3.8%	6.2%	2.5%	.0%	3.7%	11.3%	14.3%	6.7%	19.2%	9.4%
Respondent time with company [years]		6.65	7.16	6.87	6.42	5.85	6.33	6.16	5.95	9.13	5.46
Respondent time in current position [years]		5.90	7.02	4.45	6.51	5.26	4.82	5.24	3.58	6.79	4.84
Respondent familiarity with relationship		5.52	5.54	5.48	5.64	5.46	5.35	5.40	5.38	5.90	4.96

each control variable (CV) and each IV. The general regression equation had the following form:

$$DV = \beta_0 + \beta_1 \cdot RV + \beta_2 \cdot SwC + \beta_3 \cdot RV \times SwC + \sum_{i=1}^m (\beta_{ai} \cdot CV_i + \beta_{bi} \cdot CV_i \times RV + \beta_{ci} \cdot CV_i \times SwC + \beta_{di} \cdot CV_i \times RV \times SwC)$$

In this equation DV denominates the relevant dependent variable (relationship enhancement, relational tolerance, search for alternatives, switch intention), RV denotes relationship value, SwC signifies

switching costs,  $RV \times SwC$  marks the interaction between the two,  $CV_i$  are relevant control variables, numbering  $m$ . The intercept is denoted as  $\beta_0$ , the weights  $\beta_1$ – $\beta_3$  mark the weight of the independent variables, whereas  $\beta_{ai}$  signify the direct influences of control variables, with  $\beta_{bi}$ ,  $\beta_{ci}$  and  $\beta_{di}$  indicating the weight of interaction terms between independent and control variables. Table 3 displays the results of the regression analyses by each of the study's four DVs. Table 4 presents an overview of the findings for each of the four sets of hypotheses which are now discussed as in the order of the columns in Table 3 and the rows in Table 4, starting with relationship enhancement. Influences of control variables can be traced in Table 3 and are discussed in an exemplary manner at the end of this section.

Supporting H1a, we find a positive association between buyer perceived relationship value and relationship enhancement ( $\beta_{1b} = .58$ ,  $p < .01$ ). Buyer switching costs also have a positive relation with relationship enhancement ( $\beta_{2b} = .24$ ,  $p < .01$ ), albeit not as strong as relationship value, supporting H1b. Similarly in the supplier sample, relationship value ( $\beta_{1s} = .53$ ,  $p < .01$ ) and switching costs ( $\beta_{2s} = .08$ ,  $p < .1$ ) are positively associated with relationship enhancement, supporting H1c and H1d. Contrary to H1e, buyer switching costs exert a greater influence on buyer relationship enhancement than do supplier switching costs on supplier relationship enhancement ( $\beta_{2b} = .24$  vs.  $\beta_{2s} = .08$ ). According to the non-parametric procedure for multi-group analysis (PLS-MGA) proposed by Henseler et al. (2009), this difference is significant at  $p < .05$ .

Regarding relational tolerance, we did not find support for H2a which predicted a positive association between buyer perceived relationship value and relational tolerance ( $\beta_{1b} = .04$ , n.s.). The positive association between buyer switching costs and relational tolerance ( $\beta_{2b} = .48$ ,  $p < .01$ ) as well as the stronger influence of switching costs compared to relationship value ( $\beta_{2b} = .48$  vs.  $\beta_{1b} = .04$ ) support H2b. H2c, predicting a positive effect of supplier perceived relationship value on relational tolerance ( $\beta_{1s} = .27$ ,  $p < .01$ ) as well as H2d, expecting a similar effect of supplier switching costs ( $\beta_{2s} = .31$ ,  $p < .01$ ), were substantiated. In accordance with H2e, supplier perceived relationship value had a greater impact on supplier relational tolerance than buyer perceived relationship value ( $\beta_{1s} = .27$  vs.  $\beta_{1b} = .04$ ) whereas supplier switching costs had a smaller effect than buyer switching costs ( $\beta_{2s} = .31$  vs.  $\beta_{2b} = .48$ ,  $p < .05$ ).

**Table 2**  
Descriptive statistics: Means, standard deviations and zero-order correlations.

		Supplier sample							
		M	SD	A	B	C	D	E	F
A	Relationship value	5.23	1.08	1.00					
B	Switching costs	4.43	1.37	.46	1.00				
C	Relationship enhancement	5.50	1.32	.58	.31	1.00			
D	Relational tolerance	4.79	1.43	.44	.44	.41	1.00		
E	Search for alternatives	4.21	1.96	-.21	.04 <sup>^</sup>	-.17	-.06 <sup>^</sup>	1.00	
F	Switch intention	2.77	1.90	-.24	-.18	-.21	-.23	.08 <sup>*</sup>	1.00
		Buyer sample							
		M	SD	A	B	C	D	E	F
A	Relationship value	4.53	1.27	1.00					
B	Switching costs	4.05	1.35	.51	1.00				
C	Relationship enhancement	4.41	1.53	.71	.50	1.00			
D	Relational tolerance	3.87	1.49	.28	.39	.32	1.00		
E	Search for alternatives	4.18	1.78	-.38	-.25	-.29	-.09 <sup>*</sup>	1.00	
F	Switch intention	3.45	1.88	-.50	-.33	-.45	-.15 <sup>**</sup>	.41	1.00

Summated item scores for relationship value and switching costs were divided by the number of items for comparability. All zero-order correlations are significant at  $p < .001$  except for the ones denoted. All means are significantly different between suppliers and buyers at  $p < .001$  except for search for alternatives where there is no significant difference.

<sup>^</sup> Not significant.

<sup>\*</sup>  $p < .1$ .

<sup>\*\*</sup>  $p < .05$ .

**Table 3**  
Regression coefficients.

No.	DVs	Supplier sample				Buyer sample			
		Relationship enhancement	Relational tolerance	Search for alternatives	Switch intention	Relationship enhancement	Relational tolerance	Search for alternatives	Switch intention
	Adjusted R <sup>2</sup>	.36	.30	.24	.29	.52	.27	.23	.38
	IVs and CVs	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$
1	Relationship value (RV)	.53***	.27***	-.20***	-.16***	.58***	.04	-.25***	-.33***
2	Switching costs (SwC)	.08*	.31***	.13***	-.14***	.24***	.48***	-.02	-.15***
3	Interaction RV $\times$ SwC	-.03	-.02	-.07	.08	.03	-.07	-.02	-.17***
4	Turnover (TO)	-.08	-.04	-.07	-.02	.07	-.33	-.21	.15
5	Korea dummy (KOR)	.02	-.16***	.04	.42***	.07	-.05	-.04	.33***
6	New Zealand dummy (NZ)	.03	-.08	-.18***	.34***	-.03	.02	-.17***	.23***
7	Argentina dummy (ARG)	.07	-.24***	-.38***	.34***	-.03	-.20***	-.21***	.24***
8	Termination phase (TP)	-.07	-.01	.06	.06	-.12	.22**	.29***	.21**
9	TO $\times$ RV	.17	.25	-.09	-.03	.25	-.03	.27	.30
10	KOR $\times$ RV	.03	-.04	.24***	.05	-.01	.06	.27***	.04
11	NZ $\times$ RV	-.03	.02	.05	.00	.02	-.03	.13**	-.02
12	ARG $\times$ RV	.04	.02	.08	-.02	.02	-.06	.18***	-.04
13	TP $\times$ RV	.04	-.01	-.09	-.02	-.05	.17**	.35***	-.01
14	TO $\times$ SwC	-.26	-.28	.14	.09	-.07	.37	.16	-.24
15	KOR $\times$ SwC	.06	.00	-.20***	-.10*	-.02	-.33***	-.18***	-.02
16	NZ $\times$ SwC	.08	.01	.05	.04	-.02	-.09	-.14**	.05
17	ARG $\times$ SwC	.00	-.07	-.18***	.03	-.06	.01	-.17***	.06
18	TP $\times$ SwC	.10	.00	.14	-.14	.15	.34***	-.05	-.14
19	TO $\times$ RV $\times$ SwC	.34	.45**	-.23	-.11	-.22	-.02	-.40*	-.20
20	KOR $\times$ RV $\times$ SwC	.11***	.05	-.01	-.03	.01	-.05	-.01	-.22***
21	NZ $\times$ RV $\times$ SwC	.06	.00	-.01	-.05	.00	.05	-.08	-.14***
22	ARG $\times$ RV $\times$ SwC	.09*	.05	.09*	-.03	.06	.07	.01	-.07
23	TP $\times$ RV $\times$ SwC	.22***	-.01	.06	-.06	.19**	.39***	.07	-.21**

\*  $p < .1$

\*\*  $p < .05$ .

\*\*\*  $p < .01$ .

Turning to search for alternatives, the negative association with buyer perceived relationship value ( $\beta_{1b} = -.25$ ,  $p < .01$ ) supports H3a. H3b predicted that from a buyer's perspective, relationship value is more strongly (negatively) associated with search for alternatives than switching costs. Since there is no significant effect of switching costs ( $\beta_{2b} = -.02$ , n.s.) H3b is also supported ( $\beta_{1b} = -.25$  vs.  $\beta_{2b} = -.02$ ). On the supplier side, relationship value had a negative ( $\beta_{1s} = -.20$ ,  $p < .01$ ) and switching costs a slight positive association ( $\beta_{1s} = .13$ ,  $p < .01$ ) with search for alternatives, supporting H3c and H3d, respectively.

The last DV in our analysis was switch intention. For buyers, relationship value was more strongly negatively related to switch intention ( $\beta_{1b} = -.33$ ,  $p < .01$ ) than were switching costs ( $\beta_{2b} = -.15$ ,  $p < .01$ ) supporting H4a and H4b. Interestingly, switch intention in the buyer sample is the only place we find an interaction effect between relationship value and switching costs ( $\beta_{3b} = -.17$ ,  $p < .01$ ): high switching costs and high relationship value combined contribute over-proportionally to a lower switch intention. Supporting H4c and H4d, we found slight negative associations between relationship value and switch intention ( $\beta_{1s} = -.16$ ,  $p < .01$ ) as well as switching costs and switch intention ( $\beta_{1s} = -.14$ ,  $p < .01$ ) for suppliers. H4e predicted a greater dependence of buyers' switch intentions on relationship value and switching cost than suppliers' switch intentions. For relationship value, this claim is corroborated ( $\beta_{1b} = -.33$  vs.  $\beta_{1s} = -.16$ ,  $p > .05$ ), whereas the differentiating effects of switching costs are not significant ( $\beta_{2b} = -.15$  vs.  $\beta_{1s} = -.14$ ). Thus, H4e is partly supported.

Since we use data from all countries for hypothesis testing we also account for possible, non-hypothesized differences between countries in two ways. First, using country dummies for Korea, New Zealand, and Argentina (Germany being the reference group) accounts for different levels of the dependent variable in each country compared to the German sample. In technical terms, the regression coefficient

for each country dummy represents an additional sub-sample specific intercept in the regression equation. For example, in the supplier sub-sample Argentine suppliers display a significantly lower level of search for alternatives than German suppliers ( $\beta_{7s} = -.38$ ), while Korean buyers showed a higher level of switch intention than German ones ( $\beta_{5b} = .33$ ). These significant regression coefficients do not influence our hypotheses tests. Second, we include interaction terms between control variables and predictor variables to control for possibly different influence strengths of predictor on dependent variables depending on the level of control variables. Technically speaking, the regression coefficient of such a predictor-control interaction alters the slope of the predictor variable in the regression equation depending on the level of the control variable. This analysis reveals for example that the non-existent influence of switching costs on search for alternatives in the buyer sample ( $\beta_{2b} = -.02$ , n.s.) might be significant in Korea ( $\beta_{15b} = -.18$ ,  $p < .01$ ), New Zealand ( $\beta_{16b} = -.14$ ,  $p < .05$ ) or Argentina ( $\beta_{17b} = -.17$ ,  $p < .01$ ). Other significant main effects might be reduced by the control interactions, e.g. the influence of relationship value on search for alternatives in the supplier sample in Korea ( $\beta_{1s} = -.20$  vs.  $\beta_{10s} = .24$ ,  $p < .01$ ).

## 6. Discussion

### 6.1. General discussion

The results of our study demonstrate that important differences exist between buyers' and sellers' approaches to buyer-seller relationships. This is a first major contribution of the paper. Overall, the importance of such a relationship to a supplier seems to be higher than to a buyer. Also, suppliers' behavioral intentions rely less on the current state of the relationship than do buyers' intentions: if the relationship does not perform that well, in value terms, then buyers are a lot less inclined to enhance the relationship and are



**Table 4**  
Overview of hypotheses.

No.	Hypothesis	Result
	Relationship enhancement	
H1a	Buyer perceived relationship value is positively associated with its intentions for relationship enhancement.	Supported
H1b	Buyer perceived relationship value is more strongly (positively) associated with its intentions for relationship enhancement than are buyer switching costs.	Supported
H1c	Supplier perceived relationship value is positively associated with its intentions for relationship enhancement.	Supported
H1d	Supplier switching costs are positively associated with its intentions for relationship enhancement, albeit not as strongly as supplier perceived relationship value.	Partly supported
H1e	Buyer switching costs are less related with its intentions for relationship enhancement than supplier switching costs with supplier relationship enhancement.	Not supported
	Relational tolerance	
H2a	Buyer perceived relationship value is positively associated with its relational tolerance.	Not supported
H2b	Buyer switching costs are more positively associated with relational tolerance than is buyer perceived relationship value.	Supported
H2c	Supplier perceived relationship value is positively associated with its relational tolerance.	Supported
H2d	Supplier switching costs are positively associated with its relational tolerance.	Supported
H2e	Supplier perceived relationship value has a greater impact on supplier relational tolerance than buyer perceived relationship value on buyer relational tolerance; whereas supplier switching costs have a lesser impact on supplier relational tolerance than buyer switching costs on buyer relational tolerance.	Supported
	Search for alternatives	
H3a	Buyer perceived relationship value is negatively associated with its tendency to search for alternatives.	Supported
H3b	Buyer perceived relationship value is more strongly (negatively) associated with its tendency to search for alternatives than are buyer switching costs.	Supported
H3c	Supplier perceived relationship value is negatively associated with its tendency to search for alternatives.	Supported
H3d	Supplier switching costs are positively associated with its tendency to search for alternatives.	Supported
	Switch intention	
H4a	Buyer perceived relationship value is negatively associated with its switch intentions.	Supported
H4b	Buyer switching costs are negatively associated with its switch intention, albeit not as strongly as buyer perceived relationship value.	Supported
H4c	Supplier perceived relationship value has a mild negative association with its switch intention.	Supported
H4d	Supplier switching costs have a mild negative association with its switch intention.	Supported
H4e	Buyer perceived relationship value and buyer switching costs exert a greater negative influence on buyer switch intention than do supplier perceived relationship value and supplier switching costs on supplier switch intention.	Partly supported

quicker to search for alternative business partners or to walk away than are suppliers. For a supplier, current relationship value and switching costs also play a role in their future intentions, albeit generally to a lesser degree. For suppliers, customer retention is a major marketing goal from which they deviate only in very bad current relationship conditions.

A second major contribution of the paper concerns the role that switching costs and relationship value play as bonding mechanisms in buyer–seller relationships. Overall, relationship value is a stronger predictor than switching costs for relationship enhancement, search for alternatives and switch intention in both the buyer and the supplier sample. This finding challenges traditional TCA reasoning and enhances TVA, emphasizing value as a stronger behavioral driver than

costs. The reversal of influence strength of relationship value and switching costs on relational tolerance in both buyer and supplier sub-samples is an indication that prospect theoretical reasoning helps to more precisely define what TCA means by bounded rationality. As we observed, losses can loom larger than gains of the same amount, so relinquishing the gains of relationship value by breaking off the relationship can appear less negative than incurring the loss of switching costs.

Despite the support for most of our hypotheses, some predictions had to be rejected. H1e proposed that buyer switching costs are less related to buyer intentions for relationship enhancement than are seller switching costs for seller intentions for relationship enhancement. However, we found the exact opposite. The overall level of switching costs among buyers and sellers might help our understanding. Seller switching costs are generally higher than buyer switching costs in our sample. Since relationship enhancement is associated with deploying more relationships specific assets, sellers might be more anxious not to increase an already high level of switching costs even more. Buyers in our sample, however, seem to have more leeway. A second surprising result concerned the positively expected, but non-existent relationship between buyer perceived relationship value and relational tolerance. However, as our data suggest, relationship value is not relevant for a buyer's intention to temporarily incur a disadvantage. One possible explanation would be an act of defiance on the part of the buyer: the buyer might feel its freedom of choice threatened and therefore display strong reactance (Brehm, 1966), not calm economic thinking. Certainly, these two unexpected findings warrant more attention and further research.

## 6.2. Managerial implications

Some interesting managerial implications come from our empirical findings for marketing/sales and purchasing/supply managers alike. For suppliers, customer relationships generally offer direct profit impact and should hence be guarded and stabilized. For doing so, enhancing customer perceived relationship value is more effective than increasing customer switching costs. Marketing and sales managers are thus advised to permanently devise and perform activities to increase and demonstrate relationship value for their customers. Examples include

- introducing value-adding services to complement functional base products,
- streamlining the supply process,
- devising measures to improve the customers' operation processes,
- offering the supplier's know-how and ability to shorten a customer's time to market, and
- fostering personal interactions on the different levels of the buying/selling centers in order to make the value added visible.

Despite the importance of buyer perceived relationship value for stabilizing a customer relationship, suppliers should not be blinded by its generally stabilizing effect. When customers are faced with perceived unethical supplier behavior or extra demands, e.g. higher prices or longer terms of payment, their relational tolerance toward a given supplier might be quickly exhausted even when customer perceived relationship value is high. Such changes from the status quo are only tolerated with increased customer switching costs.

A last implication for suppliers relates to our findings about switch intentions. We found a very low level of switch intention among suppliers; switch intention is also only mildly dependent on the level of supplier perceived relationship value and switching costs. These results indicate that only few companies re-evaluate their customer base on a regular basis and some might even end up in a “loyalty trap”, where customers are kept despite low or negative relationship value. One reason might be that managers invest very little time and

resources in each of those low value relationships so that an active change of the status quo is not deemed necessary.<sup>3</sup> Nevertheless, to avoid this trap, we advise managers to continuously monitor their customer base for the value that each relationship contributes and also ultimately consider supplier initiated relationship termination.

The initial situation for buying companies and purchasing/supply managers is different. A purchasing company enters into a supplier relationship to extract superior value and to keep costs of handling a large supplier base low. Our research shows that supplier perceived relationship value drives suppliers' relationship enhancement more than supplier switching costs and also reduces supplier intentions to search for and ultimately switch to other partners. We thus advise purchasing and supply managers to devise relational arrangements where the supplier perceives a high relationship value. Paying a fair price and leveraging other possibilities to increase value to the supplier (e.g. guarantee minimum purchasing volumes, transfer know how for process improvements, grant access to other market actors) are a more promising strategy than to try to increase supplier switching costs. Suppliers then are more prone to intensify the existing relationship and in turn deliver more value to the buying firm. Although supplier switching costs caused by relationship specific investments might be needed to produce the expected value for a purchasing firm, insisting on more specific investments to increase buyer perceived value causes higher supplier switching costs and subsequently leads to the supplier searching for alternative, parallel business partners. If the search is successful, the supplier might decrease its endeavors in the focal customer relationship and the purchasing firm might have arrived at the opposite effects it originally wished for.

Since our research has captured relationship value and switching costs at a rather abstract level, we urge marketing/sales and purchasing/supply managers alike to be clear about what exactly constitutes relationship value to their firm and their business partner's firm. Unambiguous value perceptions on both sides and mutual value creation are the cornerstone of long-lasting and successful buyer–seller relationships.

### 6.3. Limitations and further research

The design of our study certainly bears some limitations which offer avenues for further research. Overall, the present study has taken a rather abstract view of buyer–supplier relationships. This made it possible to argue from an economic perspective focusing on buyer and seller companies as the economic actors in our analysis. A second choice we took was to stay in one theoretical paradigm, TCA/TVA, as the backdrop to our theory development.

Of course these choices precluded us from looking closer at possible role-specific influences of such constructs as satisfaction, trust, communication or personal bonds. These operate mainly on the person-to-person or person-to-company level (e.g. [Palmatier et al., 2007](#)) and would certainly offer complementary insights on role differences in buyer–seller relationships in future studies. We also recognize that other theoretical approaches such as power-dependence theory ([Emerson, 1962](#)) might additionally shed light on the phenomena in our analysis.

A second shortcoming of our rather abstract approach might be seen in that we define and outline the concepts of switching costs and relationship value but do not provide exact instructions on how to compute or estimate them in practice. A more detailed analysis of these aspects could, however, provide new insights, e.g. if a company detailed all elements of a net present value calculus for customer valuation (e.g. cash flows and probabilities) or even used a real-option valuation approach ([Haenlein et al., 2006](#)). If such a more detailed

valuation approach was implemented within a company, analyzing synergistic value effects of different buyer–seller relationships in a company's portfolio (e.g. increased absorptive capacity) could also be a worthwhile endeavor.

A third interesting avenue for further research can be seen in a moderator analysis studying conditions under which the results reported here might change. We have already pointed out that some country specific differences exist. Detailing these and investigating them along with other potential moderators would be one next step.

From a methodological point of view, we used separate buyer and seller data sets to examine our hypotheses. Further insights, e.g. of perceptions by business partners and their interconnections, could be gained by using dyadic data in a similar setting.

## Appendix A. Measures

Relationship value		Factor loadings	Indicator reliability
RV_1	This relationship has an outstanding value to us.	.75	.56
RV_2	All in all, the benefits of this relationship far outweigh the disadvantages.	.67	.45
RV_3	This customer/supplier relationship makes a crucial positive contribution to our company's success.	.81	.65
RV_4	This relationship makes a crucial positive contribution to our company's achievement of goals.	.81	.65
RV_5	This relationship strongly matches our conception of an optimal relationship.	.63	.40
RV_6	This relationship meets the requirements of my company in all important aspects.	.68	.47
Switching costs			
SwC_1	The sum of disadvantages associated with a potential switch to another customer/supplier is probably very high.	.66	.44
SwC_2	My company would lose a lot by switching to another customer/supplier.	.73	.53
SwC_3	Overall, I guess the costs (time, effort and money) to switch to another relationship would be very high.	.77	.59
SwC_4	Altogether, the barriers for my company to terminate the current relationship and establish an alternative relationship would be very high.	.77	.60
Endogenous measures			
Relationship enhancement	I guess my company would be willing to intensify the relationship with this customer/supplier.		
Relational tolerance	I guess my company would be ready to temporarily accept disadvantages in the current relationship in order to maintain it.		
Search for alternatives	My company actively searches for alternative options to be able to replace the existing relationship.		
Switch intention	I guess my company will try to substitute the current relationship with an alternative relationship in the near future.		

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