The Effects of Structural Bonds in Wholesale s’ Customer Relationships
Do They Really Benefit Relationship Stability and Customer Penetration?

by Sandra Pocsay and Joachim Zentes

This study seeks to introduce a new perception of wholesalers as dominant players in the value chain who establish and manage large nets of associated customers. In order to tie customers more closely to the relationship, wholesalers implement a variety of bonding strategies. Using a PLS structural equation modelling approach, we analyse the effects of structural bonds on relationship quality, customer dependence and customer penetration as well as the effect of the competitive advantage that customers gain through this relationship. We assess different dimensions of structural bonds (relationship-specific investments, operational linkages, information exchange and contractual bonds) and analyse their respective impact. Our results imply that the effects of the four dimensions of structural bonds on relationship quality, dependence and customer penetration differ considerably and therefore need to be addressed accordingly by researchers as well as by practitioners.

1. Introduction and Research Objectives

The well-accepted notion in marketing channel research that the importance of closely knit relationships between buyers and sellers is ever increasing has given rise to a large body of contributions examining the different dimensions as well as the antecedents and consequences of relational cooperation (see Palmatier et al. 2006 for a meta-analysis). Organizations on all levels in the marketing channel have implemented extensive customer bonding measures in order to prevent their customers from switching to competitors and to tie them more closely into a long-term relationship. Studies in this stream of research have most often analysed business relationships from a manufacturer’s perspective (Quinn/Murray 2005; Quinn/Sparks 2007). Recently however, marketing channels researchers have called for more insights into marketing channel decisions and behaviour from the perspective of an intermediary, rather than from the viewpoint of an upstream manufacturer (Frazier 1999; Quinn/Sparks 2007; Van Bruggen/Kacker/Nieuwlaat 2005). If wholesalers’ downstream relationships have been considered at all, with a few notable exceptions (e.g. Hyvönen 1993; Van Bruggen/Kacker/Nieuwlaat 2005) the focus has been on the possibilities of streamlining manufacturers’ production processes through integrated supply strategies (e.g. Joshi/Stump 1999; Nielson 1998). In this regard, wholesalers have generally been understood as an element of a dominant manufacturer’s supply network.

The perspective of wholesalers themselves as managers of extensive customer nets has largely been neglected (Dawson 2007). Especially wholesalers who are operating further down in the value chain, i.e. closer to the (final) consumer, have in many industries continuously extended their influence. These companies are usually selling to dealers, service providers or skilled craftsmen. Mainly because of their direct consumer contact, these customer groups have completely different needs and requirements than manufacturing companies do and frequently expect extensive support by their wholesaler concerning various secondary value chain functions. In responding to these needs, wholesalers install numerous kinds of structural bonds to their customers seeking to ensure an increased customer commitment. In a number of cases, wholesalers have even established themselves as “concept providers” leading large, even franchise-like networks of associated customers (Dwyer/Oh 1988; Zentes/Pocsay 2007).
The aim of this study is to analyse the nature of the relationship between wholesalers and their customers. More specifically, the effects of structural customer bonds on relationship quality, dependence and customer penetration are being studied as well as the role of the competitive advantage that wholesalers’ customers gain due to the relationship.

The remainder of the manuscript is structured as follows: First, different typologies of customer bonds as well as empirical studies are presented and the main dimensions of structural customer bonds are deduced. Based on theoretical considerations, hypotheses about the influence of structural bonds within wholesale-customer relationships are developed. Finally, the results of the empirical study are investigated and their implications for future research as well as for business practice are discussed.

2. Background and Literature Review

2.1. The Concept of Customer Bonds

The concept of customer bonds in relationship marketing is derived from a number of economic theories that address supplier-customer interactions from different angles. We therefore base our research on a theoretical pluralism that combines several theoretical approaches in a complementary way (Cannon/Perreault 1994). Berry (1983, p. 25) originally defined relationship marketing as “attracting, maintaining, and enhancing customer relationships”. Especially as organizations face increasing challenges in global and deregulated markets and new information technologies allow better and faster exchange links between firms as well as data collection about customers, establishing stable, long-term relationships gains in relevance compared to traditional transactional market exchanges (Ballantyne/Christopher/Payne 2003). Therefore, our study of the relationships between wholesalers and their customers builds on transaction cost economics (TCE), which defines the relationships in question as a hybrid form of exchange between the two antipodes of market and hierarchy (Williamson 1985). From a resource-based view, the wholesaler and the customer combine critical resources, such as know-how, management capacity, etc., in the relationship in order to reduce uncertainty and manage dependence (Leonidou/ Palihawadana/Theodosiou 2006). The effects of various bonds on the competitive advantage of the customers on the one hand as well as on the stability of the relationships implemented by the wholesaler on the other hand are to be analysed here.

The typology of customer bonds introduced by Berry/Parasuraman (1991) – economic, social and structural bonds – is generally accepted in the literature (Berry 1995; Gounaris 2005; Lin/Weng/Hsieh 2003). Although there is consensus that all three types of relational bonds have an important influence on customer relationship performance (Håkansson/Snehota 1997; Jonsson/Zineldin 2003), research has also shown that structural bonds seem to be the most effective way to maintain customer trust and commitment (Berry 1995; Lin/Weng/Hsieh 2003). Moreover, while economic and social bonding techniques, such as price incentives and personal contacts between the employees of the companies involved, have for a long time been the core wholesale tactics, the implementation of structural bonds between wholesalers and their customers has emerged as a rather new, innovative strategy over the last years.

2.2. Conceptualization of Structural Bonds

Turnbull/Wilson (1989, p. 233) define structural bonds as the application of “marketing programs that create value to the customer and either require investments by the buyer that cannot be salvaged if the relationship ends, and/or may be expensive if the buyers must supply this service themselves if they change sources”. Structural bonds refer to ties at a corporate level which “link a buyer and a seller in an economic, strategic, and organizational sense, regardless of personal/emotional matters” (Rodríguez/Wilson 2002, p. 61), and therefore last beyond the relationships that grow between the interacting individuals (Gounaris 2005; Wilson/Mummalaneni 1986). It is widely accepted that structural customer bonds describe a second-order construct that consists of different dimensions; however, the conception of number and nature of these dimensions varies considerably in the literature (Buttle/Ahmad/Aldaigan 2002). Mattsson (1985) proclaims technical, knowledge-based, time-based, economic, legal and social bonds as links between the actors in a network. While social bonds refer to the level of person-to-person interaction, the other types describe various forms of structural ties. The aspect of adjustments to the partner in a technical sense which is subject to the technical bonds is also considered by Wilson and colleagues (Rodríguez/Wilson 2002; Turnbull/Wilson 1989; Wilson/Mummalaneni 1986) who emphasize the relevance of non-retrievable investments as a main dimension of structural bonds. Håkansson/Snehota (1997) suggest that all supplier-customer relationships are characterized by activity links, resource ties and actor bonds, the latter describing the social aspect of the relationship. The greater the range of joint activities in the relationship, the stronger is the dyad (Buttle/Ahmad/Aldaigan 2002). Furthermore, Smith (1998) as well as Gordon (1998) stresses information exchange as another highly important aspect. Information disclosed by the partner can be a major challenge to provide if a relationship should end and is therefore one of the central dimensions of structural bonds (Gounaris 2005).

Drawing on these previous studies, in this research, structural customer bonds are being regarded as consisting of the dimensions “relationship-specific investments”, “operational linkages”, “contractual bonds” and “information exchange”. In accordance with TCE (Williamson 1985) relationship-specific investments are defined as investments that are highly specific to a channel relationship (Ganesan 1994; Palmatier/Dant/Grewal...
2007). “They are difficult to redeploy to another channel relationship; therefore, they lose substantial value unless the relationship continues” (Anderson/Weitz 1992, p. 20). Relationship-specific investments include time, effort, and resources invested in strengthening relationships (Palmatier et al. 2006) and can be divided into extrinsic (economic, tangible) and intrinsic (social, intangible) investments (Dorsch et al. 2001). In a wholesaler-customer context, relationship-specific investments include financial resources invested in the promotion of the wholesaler’s concept, specialized hard- or software as well as in the installation of a concept-specific store format and branding (Dwyer/Oh 1988; Vázquez/Iglesias/Rodríguez-del-Bosque 2007).

In line with Mattsson’s technical bonds (1985) as well as with the activity links introduced by Håkansson/Snehota (1997) operational linkages are defined as “the degree to which the systems, procedures, and routines of the buying and selling organizations have been linked to facilitate operations” (Cannon 1992; Cannon/Perreault 1999, p. 442). In a marketing channel, supply-related as well as customer-related activities are relevant for operational linkages (Kim 1999). An example for downstream activities is close cooperation between wholesalers and their customers in terms of marketing to end-customers, while integrated information technologies to optimize ordering procedures and the supply chain are an example of supply-related operational linkages.

When it comes to the conceptualization of channel communication, researchers tend to take one out of two approaches (Mohr/Sohi 1995). Mohr/Nevin (1990) focus on the nature of communication flows in a channel from a rather mechanistic perspective, including aspects like frequency, direction, modality etc. (Carr/Kaynak 2007). The second stream of research draws on summary, evaluative judgments of communication and emphasizes the efficacy of information exchange rather than the quantity or amount (Andersen 2001). Following Anderson/Narus (1990, p. 44) we define information exchange as “the formal as well as informal sharing of meaningful and timely information between firms.” We thus focus on the aspect of information exchange among the channel members, because in a channel setting where the downstream members have limited access to overall market information, information shared by the wholesaler is a powerful structural bonding instrument while information gathered from the customers serves to optimize the wholesale offering as well as to develop feasible competitive strategies (Leomidou/Palihawadana/Theodosiou 2006).

Based on TCE, Lusch/Brown (1996) argue that organizations implement various forms of explicit contracts in order to reduce risk and uncertainty caused by opportunistic behaviour of channel partners (Poppo/Zenger 2002). We therefore include contractual bonds into our research, which Cannon/Perreault (1999, p. 443) describe as “detailed and binding agreements that specify the obligations and roles of both channel parties in the relationship.” As wholesalers develop close relationships with associated customers, contracts increase in importance detailing both partners’ responsibilities not only in terms of commercial exchange but also concerning marketing efforts, employee training, equipment etc.

3. Hypotheses

Several empirical studies have addressed the effect of structural bonds on relationship quality (Dash/Bruning/Guin 2007; Gounaris 2005; Palmatier et al. 2007; Williams/Han/Qualls 1998). However, these studies mostly conceptualize structural bonds as a first-order construct not differentiating the distinct dimensions of the construct. Being an exception, Cannon/Perreault (1999) relate to “relationship connectors” in their analysis of the effect of information exchange, legal bonds, cooperative norms and adaptations by the buyer and the seller respectively on satisfaction in a manufacturing context. The actual effects of the different dimensions of structural bonds within wholesalers’ relationships have not been considered so far.

Relationship quality has been proven to have a significant influence on performance outcomes of the buyer as well as of the seller in a dyad (e.g. Huntley 2006; Leuthesser 1997) and therefore is chosen as a dependent variable in this study (see Fig. 1 for the conceptual model). It is generally defined as an overall assessment of the strength of a relationship, conceptualized as a multidimensional construct capturing the different but related facets of a relationship (Palmatier et al. 2006). Although there are different opinions in the literature concerning the number and nature of the dimensions of relationship quality, we follow Smith (1998, p. 78) who defines the construct as “being concerned with the extent to which relations trust each other, are satisfied with the relationship, and are committed to its long-term maintenance.”

The close interaction within structurally bonded relationship forms the basis from which relational outcomes such as trust, satisfaction and commitment are evaluated. The risk associated with voluntary exchange is reduced as customers gain insight into the wholesaler’s motives and objectives by frequent and intensive information exchange. Following the principal agency theory, the risk of “hidden actions”, “hidden intentions”, “hidden characteristics” and “hidden information” is reduced and thereby the interaction atmosphere improves (IMP-Group 1997; Lyons/Mehta 1997; Ritter/Gemünden 2003). Also, through frequent and relevant information exchange customers’ expectations of the outcomes of the relationship are more realistic and as their expectations are met, they feel satisfied with the relationship (Leomidou/Palihawadana/Theodosiou 2006). The quasi-institutional nature of a structurally bonded relationship that can be intensified by contractual bonds as well as by relationship-specific investments increases the level of trust in the partner, as customers conceive the structural
ties initiated by the wholesaler as a trustworthy signal of supplier-commitment that can be reciprocated (Rodríguez/Wilson 2002). As a result of a closer insight into the wholesaler’s activities, motives, intentions and aims that is brought about by operational linkages customers learn to better understand their exchange partner and become to trust them (Gounaris 2005). Especially as operational linkages between a wholesaler and a SME frequently take on the form of the wholesaler supporting the customer in its professional interaction with the consumer (e.g. joint marketing activities or technical support), it is proven to the customer that the supplier benevolently has its best interest in mind – this leading to an improved relationship quality (Frazier/Spekman/O’Neal 1988). We therefore suggest:

**H1a:** The stronger the information exchange between wholesaler and customer,

**H1b:** The stronger the relationship-specific investments between wholesaler and customer,

**H1c:** The stronger the operational linkages between wholesaler and customer,

**H1d:** The stronger the contractual bonds between wholesaler and customer,

According to TCE on the other hand, the introduction of structural bonds also increases the switching costs customers experience when considering a change of supplier (Wilson/Jantrania 1996). Relationship-specific investments as one of the main research objects of TCE cannot be transferred to another exchange relationship and thereby create a locked-in effect for the customer (Anderson/Weitz 1992). While this issue has long been discussed in terms of specialized manufacturing facilities and intersected production processes, wholesale-customers investing in a concept that is managed by a specific wholesaler increase the stakes they hold in the relationship likewise. While wholesaler-customer relationships are generally considered very independent, transactional interactions, specific investments reduce the customer’s flexibility and increase the dissolution costs of the relationship thereby generating dependence (Cannon/Homburg 2001). Operational linkages also increase the customer’s dependence on the partner due to the support provided on a daily basis (Cannon/Perreault 1999). The wholesaler becomes an integral part of the customer’s daily operations so that it cannot be easily replaced by a competitor and the customer becomes dependent on the activities performed by the partner as a critical resource for business success. “To the extent that operational linkages facilitate exchange or reduce transaction costs, they may contribute to the creation of dependence and switching costs for one or both parties” (Cannon/Perreault 1999, p. 443). Moreover, customers cannot be sure that they will get the same important information on their supplier’s business activities as well as on relevant market developments in a relationship with a different wholesaler. This increases the dependence of customers as they know they would suffer severe difficulties in their business activities should the relationship come to an end (Battle/Ahmad/Aldaigan 2002). Since according to Bliemel/Eggert (1997) the dependence of customers on their wholesaler is also a fundamental reason for relationship stability, we include dependence as another variable into our model. Following the widely accepted definition by Emerson (1962) we define dependence as a second-order construct consisting of the dimensions “importance” and “irreplaceability” and propose:

**H2a:** The stronger the information exchange between wholesaler and customer,

**H2b:** The stronger the relationship-specific investments between wholesaler and customer,

**H2c:** The stronger the operational linkages between wholesaler and customer,

While high relationship quality, characterized by trusting, satisfied and committed customers and long-lasting stability, can be interpreted as a feasible target of wholesalers, we also include competitive advantages as a major target of the customers into our model. The resource-based view of the firm explains competitive advantages as resources or capabilities that enable a firm to compete more effectively in the marketplace (Jap 2001). Dyer (1996) argues that in a specialized network companies combine idiosyncratic investments, knowledge-sharing processes, complementary capabilities and
effective governance to create competitive advantages for the participants. In this rationale, wholesalers and their customers jointly strive to gain superior competitive advantage by combining their respective capabilities through operational linkages. Not only can operations between the channel partners be carried out more efficiently, the support by the wholesaler in marketing to end customers also contributes to competitive advantage – especially within branded nets (wholesaler-managed concepts). Operational linkages serve to reduce transaction costs and therefore competitive advantage is created when processes are aligned between the partners. On the other hand, relationship-specific investments as well as contractual agreements reduce the risk of opportunistic behavior in the relationship and therefore customers can reduce efforts for partner monitoring and fully focus their activities on succeeding in the market (Wilson 1995). Better information about the market and market developments allows the customers to gain a competitive advantage over non-bonded competitors (Simpson/Sigauw/Baker 2001, p. 12): “Shared information derived from good communication and collaboration may be used by both firms to improve operations efficiency through forecasting and mass customization.” The above considerations suggest the following hypotheses:

- H3a: The stronger the information exchange between wholesaler and customer,
- the higher the competitive advantage that customers gain from the relationship.
- H3b: The stronger the relationship-specific investments between wholesaler and customer,
- H3c: The stronger the operational linkages between wholesaler and customer,
- H3d: The stronger the contractual bonds between wholesaler and customer,
- the higher the competitive advantage that customers experience, the bigger the share of their purchases that they realize with their wholesaler.

The essential purpose for a buyer to enter and maintain a closely bonded relationship with a wholesaler is being able to better perform in the market (Doney/Barry/Abratt 2007). Several studies have therefore found strong ties between the value customers perceive to gain from a relationship and their intention to stay in the relationship (Doney/Barry/Abratt 2007; Parasuraman/Grewal 2000). Companies willing to continue a relationship in the long term show an increased commitment that is mainly based on their past experience with the supplier and the competitive advantage gained from cooperating with them (Anderson/Narus 1990). Doney/Barry/Abratt (2007) also empirically support the positive effect of perceived value on trust in a B2B setting. Moreover, as customers become aware of their much better performance in the marketplace thanks to their relations to a supplier, they become more and more dependent on this partner. We therefore suggest:

- H4: The higher the competitive advantage that customers gain from the relationship, the higher the quality of the relationship and (b) the dependence of the customers on the wholesaler.

It has often been discussed that relationship quality and dependence form the fundamentals of stable and profitable relationships (Bliemel/Egbert 1997; 1998). While relationship quality can be considered the attitude of partners towards a business interaction, we include customer penetration as a measure of the actual behaviour customers’ show towards their supplier (de Walff/Odekoven-Schroeder/Iacobucci 2001; Macintosh/Lockshin 1997). According to Diller (1996), we use customer penetration to account for the behavioral loyalty of wholesale customers and define it as the share of total purchases that the customer realizes with the supplier in question. In order to analyse the effects of relationship quality as well as dependence in wholesaler-customer relationships we propose:

- H5: The higher (a) the relationship quality and (b) the dependence that customers experience, the bigger the share of their purchases that they realize with their wholesaler.

4. Methodology

Using a standardized questionnaire we conducted a written survey of 5,000 wholesale customers. We chose the automotive aftermarket for our survey as an industry where wholesalers have developed a broad spectrum of different structural bonding measures and frequently offer customers the possibility to benefit from these within wholesaler-managed customer systems. The relationships were evaluated from a buyer perspective, since in a buyer’s market the focus on the buyer’s point-of-view may explain more variance in types of relationships (Cannon 1992). We therefore addressed repair shop owners in Germany who belonged to one of various wholesaler-managed cooperative systems as well as such who had no association with a particular system. 459 questionnaires were returned (return rate 9.1 %, 346 per mail or fax, 105 online). Of these questionnaires, 8 had to be excluded due to missing values so that a total of 451 usable questionnaires remained for the investigation. The sample was tested for non-response bias using the method proposed by Armstrong/Overton (1977). As early respondents (first third) and late respondents (last third) did not differ significantly in terms of demographics, such as number of employees or turnover, non-response bias, if any, should be negligible.

Based on a literature review and managerial interviews, we developed measurement scales for the different dimensions of structural bonds as well as the other constructs of our conceptual model. Measure validation and model testing were conducted using SmartPLS (Partial Least Squares), a structural equation modelling tool that utilizes a component-based approach to estimation. We chose PLS because it allows representing both formative
and reflective latent constructs (Fornell/Bookstein 1982; Haenlein/Kaplan 2004) and avoids the problem of underidentification that can occur in covariance-based analysis (Bollen 1989). Of particular importance for this study is also that PLS is more robust in the presence of an inappropriately operationalized construct while in covariance-based structural equation models one weak construct will likely influence all parameter estimates and latent variables estimates. Therefore, PLS is more suitable to models where new constructs are used that have not been tested multiple times in prior studies as being the case here especially for operational linkages and relationship-specific investments in a wholesaling context (Reinartz/Haenlein/Henseler 2009).

For all structural bonds constructs, respondents were asked to indicate the degree of bondedness to their primary wholesaler on 7-point Likert scales. In line with past research (see Tab. A1 and Tab. A2 in the Appendix for indicators and sources), we chose a reflective measurement approach for information exchange (8 indicators, coefficient α = .872) and contractual bonds (3 indicators, coefficient α = .848). Also, competitive advantage (4 indicators, coefficient α = .917) as well as the three dimensions of relationship quality – trust (6 indicators, coefficient α = .911), satisfaction (3 indicators, coefficient α = .932) and commitment (5 indicators, coefficient α = .919) – were operationalised as reflective constructs. Dependence was measured as a second-order construct consisting of the dimensions importance (3 indicators, coefficient α = .688) and irreplaceability (2 indicators, coefficient α = .780) [1], while customer penetration was measured using a single-item approach. The measurement model shows a high level of internal consistency with regard to AVEs (average variance extracted) greater than .5. As AVE for all constructs is greater than the squared correlation between that construct and any other construct, discriminant validity is confirmed (Fornell/Larcker 1981). As with all self-reported data, there is a potential for common method biases resulting in particular from the fact that all data was collected from the same source. To assess a potential single source bias, we followed the procedures by Podsakoff et al. (2003) and Liang et al. (2007). A Harmon one-factor test was conducted that resulted in 12 factors being extracted with the first factor explaining 26.62% of the variance. With no general factor protruding, single source bias does not seem to contaminate the study results.

Relationship-specific investments and operational linkages each reflect a composite of individual indicators across different, unique sources and therefore are operationalised in a formative rather than reflective way (Diamantopoulos/Siguaw 2006). As it is critical for the design of formative constructs that “the items used as indicators must cover the entire scope of the latent variable” (Diamantopoulos/Winklhofer 2001, p. 271), we developed our scales based on a literature review and managerial interviews. Relationship-specific investments were characterized by 5 indicators mainly derived from past research and adapted – where necessary – for the wholesaling context. Operational linkages were operationalised using 6 indicators. As the nature of operational linkages between wholesaler and customer has not been considered in the literature so far, we sought to cover the range of this latent variable through interviews with wholesalers as well as wholesale customers. We thereby used Kim’s (1999) assessment of joint action in industrial distributor-supplier-relationships to guide our investigation. Substantial collinearity among indicators would affect the stability of indicator coefficients in formative measurement models because they are based on linear equation systems. In our study, none of the indicators revealed multicollinearity problems (none of the VIFs (variance inflation factors) exceeded 3) (Hair Jr et al. 2006). To test for external validity, we additionally measured both constructs in a reflective manner (3 indicators for each construct) and evaluated two-construct models for them respectively. As both relationship-specific investments and operational linkages showed a highly significant influence on the reflectively specified construct (path coefficients of .829** for relationship-specific investments and of .730** for operational linkages), we assume that external validity is satisfactory with respect to all the relevant variables (Churchill/Iacobucci 2005; Diamantopoulos/Winklhofer 2001).

5. Results and Discussion

To test our hypotheses, we estimated a structural equation model in PLS; results of our analysis are reported in Tab. 1. For models like PLS that have the minimization of error (or, equivalently, the maximization of variance explained) in all endogenous constructs as their primary objective there exists no proper overall goodness of fit measures (Hulland 1999). However, the r²-values of competitive advantage (r² = .337), relationship quality (r² = .400) and dependence (r² = .499) as well as the Stone-Geisser-Criterion (competitive advantage: Q² = .254) indicate an adequate model specification.

In H1, we proposed a positive effect of information exchange, relationship-specific investments, operational linkages and contractual bonds on the quality of the wholesaler-customer-relationship (H1a-d). It is highly interesting that despite the high effect that is generally expected from most forms of structural bonds on relationship quality only information exchange really proved this strong direct effect (β = .389**). Therefore, only H1a could be supported while H1b-d had to be rejected.

On the other hand, information exchange did not show a significant effect on customer dependence (H2a), while relationship-specific investments (β = .116**) as well as operational linkages (β = .136**) did (H2b-c), so that only H2b and H2c were supported by the model.

For competitive advantage, as the antecedent variable to relationship quality and dependence, information
exchange ($\beta = .348$) and operational linkages ($\beta = .264$) showed a significant influence, thereby supporting $H3a$ and $H3c$. The path coefficients from relationship-specific investments and contractual bonds, however, were not significant, so that $H3b$ and $H3d$ were rejected.

Testing of $H4a$, where a positive effect of competitive advantage on relationship quality was postulated, yielded a highly significant path coefficient ($\beta = .331**$). The positive influence of competitive advantage on dependence was also supported ($\beta = .570$) so that $H4c$ can be fully confirmed. While the path coefficient of the relationship between dependence and customer penetration ($H5b$) proved also highly significant ($\beta = .184**$), the results were not equally undisputable for $H5a$. We found a positive effect of relationship quality on customer penetration; however, the path coefficient ($\beta = .919$) was only significant on a 5%-level.

This result was somewhat surprising and has interesting implications for the customer relationship management of wholesale companies. While it is widely accepted in the literature that relationship quality is of utmost importance for long-lasting, stable and efficient buyer-seller relationships (Hennig-Thurau 2000; Naudé/Buttle 2000; Palmatier et al. 2006), this variable does not seem to automatically guarantee a larger share of customer purchases. Rather dependence as the second motivation for customers to retain a supplier relationship needs to be established at the same time to achieve a high customer penetration.

With regards to the effects of different types of structural bonds, first of all, our results show that contractual bonds do not play an important role in wholesalers’ customer relationships. In the literature, the discussion on the role of contractual bonds in channel relationships is also controversial. While TCE and contract theory expect the reduction of risk by formal contracts to result in increased relationship quality (Cavusgil/Deligonul/Zhang 2004), social scientists often postulate the opposite. As contracts are interpreted as a sign of distrust per se, they are considered to be detrimental for trust, satisfaction and commitment (Lyons/Mehta 1997). Since our research revealed no significant influence at all, we support the argument of Anderson/Weitz (1992, p. 27) that formal contracts do not play a focal role in most channel relationships: “rather, the set of understandings that have grown up over time (the ‘implicit contract’) is more influential.” The specific investments that customers make into the relationship to a wholesaler do not seem to increase the quality of the relationship or the competitive advantage of the customers either; however, they do have a significant influence on the dependence of the customers. For that reason, they still add to the positive effects of structural bonds from the perspective of the wholesaler.

The fact that operational linkages do have a highly significant effect on dependence as well as on competitive advantage but not on relationship quality is particularly interesting. On the one hand, our expectation that the support customers experience through the operational links with their wholesaler would lead to competitive advantage – e.g. due to transaction cost benefits (Homburg/Giering/Menon 2003; Kim 1999) – was supported. The provision of operative support on a daily basis also is so important for the customers that they become dependent on their wholesaler, which increases their likeliness to stay in the relationship as well as the share of their purchases realized with this supplier. On the other hand, however, we expected that cooperation in every-day business activities might also foster a better understanding and the wish to maintain and further the relationship. The fact that operational linkages do not increase the quality of a relationship raises the question whether the joint activities of wholesalers and customers

### Table 1: Results of partial least squares

<table>
<thead>
<tr>
<th>Hypothesis Path of the structural model</th>
<th>$\beta$</th>
<th>t-value (sign.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$H1a$ Information Exchange $\rightarrow$ Relationship Quality</td>
<td>.389</td>
<td>6.299*</td>
</tr>
<tr>
<td>$H1b$ Relationship-specific Investments $\rightarrow$ Relationship Quality</td>
<td>-.1170</td>
<td>1.256n.s.</td>
</tr>
<tr>
<td>$H1c$ Operational Linkages $\rightarrow$ Relationship Quality</td>
<td>.039</td>
<td>6.45n.s.</td>
</tr>
<tr>
<td>$H1d$ Contractual Bonds $\rightarrow$ Relationship Quality</td>
<td>.005</td>
<td>1.05n.s.</td>
</tr>
<tr>
<td>$H2a$ Information Exchange $\rightarrow$ Dependence</td>
<td>.041</td>
<td>.892n.s.</td>
</tr>
<tr>
<td>$H2b$ Relationship-specific Investments $\rightarrow$ Dependence</td>
<td>1.16</td>
<td>2.032*</td>
</tr>
<tr>
<td>$H2c$ Operational Linkages $\rightarrow$ Dependence</td>
<td>1.136</td>
<td>2.555**</td>
</tr>
<tr>
<td>$H3a$ Information Exchange $\rightarrow$ Competitive Advantage</td>
<td>.348</td>
<td>6.747**</td>
</tr>
<tr>
<td>$H3b$ Relationship-specific Investments $\rightarrow$ Competitive Advantage</td>
<td>.065</td>
<td>1.256n.s.</td>
</tr>
<tr>
<td>$H3c$ Operational Linkages $\rightarrow$ Competitive Advantage</td>
<td>.264</td>
<td>4.659**</td>
</tr>
<tr>
<td>$H3d$ Contractual Bonds $\rightarrow$ Competitive Advantage</td>
<td>.019</td>
<td>.436n.s.</td>
</tr>
<tr>
<td>$H4a$ Competitive Advantage $\rightarrow$ Relationship Quality</td>
<td>.331</td>
<td>7.531**</td>
</tr>
<tr>
<td>$H4b$ Competitive Advantage $\rightarrow$ Dependence</td>
<td>.570</td>
<td>13.401**</td>
</tr>
<tr>
<td>$H5a$ Relationship Quality $\rightarrow$ Customer Penetration</td>
<td>.091</td>
<td>1.692*</td>
</tr>
<tr>
<td>$H5b$ Dependence $\rightarrow$ Customer Penetration</td>
<td>.184</td>
<td>3.729**</td>
</tr>
</tbody>
</table>

Significance of t-values (Bootstrapping procedure, $n = 451$; 1,000 samples): **$p < .01$, *$p < .05$, n.s. not significant.
Dependence

<table>
<thead>
<tr>
<th>Original Sample</th>
<th>Bootstrapping</th>
<th>Mediating Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimate</td>
<td>SE</td>
</tr>
<tr>
<td>a</td>
<td>.348</td>
<td>.051</td>
</tr>
<tr>
<td>b</td>
<td>.331</td>
<td>.043</td>
</tr>
<tr>
<td>c</td>
<td>.389</td>
<td>.063</td>
</tr>
<tr>
<td>a*b</td>
<td>.125</td>
<td>.016</td>
</tr>
<tr>
<td>c</td>
<td>.524</td>
<td>.060</td>
</tr>
<tr>
<td>d</td>
<td>.264</td>
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</tr>
<tr>
<td>e</td>
<td>.570</td>
<td>.044</td>
</tr>
<tr>
<td>f</td>
<td>.136</td>
<td>.049</td>
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<tr>
<td>d*e</td>
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<td>.017</td>
</tr>
<tr>
<td>f'</td>
<td>.284</td>
<td>.059</td>
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Percentile 95 % CI for bootstrap is defined using the values that mark the upper and lower 2.5 % of the bootstrap distribution. (CI – confidence interval)

Table 2: Results of test of mediating effects

really live up to the customers’ expectations. Irritations and every-day problems as they occur in operative cooperation and day-to-day business might impede the development of high-quality relationships between the two partners.

The conceptual model of this study implies a mediating role of the competitive advantage that customers experience due to their relationship with a wholesaler. The analysis shows significant effects of information exchange on competitive advantage and of competitive advantage on relationship quality on the one hand, and of operational linkages on competitive advantage as well as of competitive advantage on dependence on the other hand. The first requirement for a mediating effect as stated by Baron/Kenny (1986) is thereby fulfilled. In order to test this implied mediating effect, the bootstrapping-based procedure suggested by Shrout/Bolger (2002) was applied. The results of the mediation analysis are shown in Tab. 2.

The average indirect effect of information exchange on relationship quality via the mediating variable of competitive advantage (a*b) was .125 and proved significant in the 95 % confidence interval, thereby reducing the direct effect of the unmediated model (c). The same influence could be detected for the indirect effect of operational linkages via competitive advantage on dependence which showed a bootstrapping mean of .148.

The results of our study show that the quality of a wholesaler-customer relationship mainly depends on information exchange. Moreover, information exchange as well as operational linkages effect on relationship quality and customer dependence by the mediating effect of the competitive advantage that customers gain through the relationship. These findings make it clear that although wholesalers have started binding their customers by requesting specific investments in the relationship, the stronger bonding effect still stems from the wholesalers’ market knowledge and the information they can pass on to their customers as well as by the operational cooperation on a day-to-day basis.

6. Conclusion and Implications for Future Research

Our study has shown that structural bonds between wholesalers and customers are important to build competitive advantage of the customers as well as to increase the quality of the relationship, the dependence of the customers and therefore customer penetration. While contractual bonds do not account for the effects of structural bonds, operational linkages and relationship-specific investments increase customer dependence and information exchange impacts in particular on relationship quality. Additionally, the importance of information exchange and operational linkages is further emphasized by their positive influence on the customers’ competitive advantage. These findings imply consequences for managerial practice as well as for future research. Wholesalers can be assured that it really is worth the effort to invest scarce resources into the development of structural bonding measures. The effects of these bonds on relationship quality and on dependence make a net of customers significantly more reliable and stable in an increasingly challenging competitive arena. While in regards to relationship quality information exchange yields the highest results, the effects of operational linkages should not be neglected. As these activities increase the gain in competitive advantage considerably that customers attribute to the relationship but do not positively influence relationship quality, there might still be a large potential for improvements. On an operational level, cooperation on a daily basis might need to be ameliorated. From a more strategic perspective, a wider range of joint activities could foster customer satisfaction and lead to a more direct attribution of the perceived competitive advantage to the relationship partner.

This study is among the first to empirically distinguish between different dimensions of structural bonds and their respective impact focusing on the net of customers from a wholesaler’s point-of-view. There remain a number of questions that could not be integrated into this research and therefore limit its findings. Besides struc-
tural customer bonds, other types of relational bonding, such as social or financial aspects, should also be considered to qualify the influence of structural bonds. On the other hand, the performance measure of customer penetration could be further detailed and focused on specific product categories to narrow down the customers’ answers. Moreover, the inclusion of situational factors would be interesting in order to find out under which conditions, e.g. environmental context factors or relationship age, the different types of bonds are created and how the situational context influences their effects. Lastly, our study is limited by the focus on a buyer-perspective. Future research should also study the wholesaler’s estimation of the effects of customer bonding measures and align the results with the buyers’ view.

Appendix

<table>
<thead>
<tr>
<th>Constructs and indicators</th>
<th>VIF</th>
<th>Coefficient α Factor loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSI - Relationship-specific investments (see Anderson/Weitz 1992; Vázquez/Iglesias/Rodríguez-del-Bosque 2007)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Due to the relationship with our wholesaler, we have invested significantly into our premises.</td>
<td>2.555</td>
<td></td>
</tr>
<tr>
<td>- Due to the relationship with our wholesaler, we have invested significantly into marketing and promotions.</td>
<td>2.520</td>
<td></td>
</tr>
<tr>
<td>- Due to the relationship with our wholesaler, we have invested significantly into hard- and software.</td>
<td>1.582</td>
<td></td>
</tr>
<tr>
<td>- Due to the relationship with our wholesaler, we have invested significantly into our processes and procedures.</td>
<td>2.130</td>
<td></td>
</tr>
<tr>
<td>- Due to the relationship with our wholesaler, we have invested significantly into training for our employees.</td>
<td>2.095</td>
<td></td>
</tr>
<tr>
<td>OL - Operational linkages (see Kim 1999)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- We are closely linked to our wholesaler’s information systems.</td>
<td>1.350</td>
<td></td>
</tr>
<tr>
<td>- We closely cooperate with our wholesaler when we have to solve technical problems.</td>
<td>1.809</td>
<td></td>
</tr>
<tr>
<td>- We closely cooperate with our wholesaler concerning marketing towards end customers.</td>
<td>1.944</td>
<td></td>
</tr>
<tr>
<td>- We closely cooperate with our wholesaler concerning training of our employees.</td>
<td>1.809</td>
<td></td>
</tr>
<tr>
<td>- We closely cooperate with our wholesaler concerning quality management issues.</td>
<td>1.839</td>
<td></td>
</tr>
<tr>
<td>- We closely cooperate with our wholesaler concerning investments and financing.</td>
<td>1.332</td>
<td></td>
</tr>
<tr>
<td>IE - Information exchange (see Anderson/Weitz 1992; Mohr/Spekman 1994)</td>
<td>.872</td>
<td>(.AVE: .500)</td>
</tr>
<tr>
<td>- In this relationship, it is expected that any information which might help the other party will be provided immediately.</td>
<td>.726</td>
<td></td>
</tr>
<tr>
<td>- The parties are expected to keep each other informed about events or changes that may affect the other party.</td>
<td>.730</td>
<td></td>
</tr>
<tr>
<td>- We inform our wholesaler immediately of changing needs.</td>
<td>.732</td>
<td></td>
</tr>
<tr>
<td>- We share proprietary information with our wholesaler.</td>
<td>.645</td>
<td></td>
</tr>
<tr>
<td>- Our advice and council is sought by our wholesaler.</td>
<td>.826</td>
<td></td>
</tr>
<tr>
<td>- Suggestions by us are encouraged by our wholesaler.</td>
<td>.812</td>
<td></td>
</tr>
<tr>
<td>- Our wholesaler is quite involved in our marketing and planning activities.</td>
<td>.668</td>
<td></td>
</tr>
<tr>
<td>CB - Contractual bonds (see Cannon/Perreault 1999; Lusch/Brown 1996)</td>
<td>.848</td>
<td>(.AVE: .765)</td>
</tr>
<tr>
<td>- In dealing with our wholesaler, a written agreement precisely states how each party is to perform.</td>
<td>.919</td>
<td></td>
</tr>
<tr>
<td>- We have formal agreements that detail the obligations of both parties.</td>
<td>.912</td>
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</tr>
<tr>
<td>- We have specific, well-detailed agreements with our wholesaler.</td>
<td>.796</td>
<td></td>
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</table>

Table A1: Indicators used to measure the hypothetical constructs
Thanks to the relationship with our wholesaler, we are able to operate more successfully in the market.
Thanks to the relationship with our wholesaler, we have obtained revenue which otherwise we would not have been able to realize.
Thanks to the relationship with our wholesaler, we have obtained profit which otherwise we would not have been able to realize.
Thanks to the relationship with our wholesaler, we have attracted many new customers.

We fully trust our wholesaler.
Our wholesaler keeps the promises it makes to us.
Our wholesaler is always honest with us.
We believe the information that our wholesaler provides us.
Our wholesaler is genuinely concerned about our business success.

If we had to do it all over again, we would still choose to use this supplier.
Our experience with this supplier has been very good.
Overall, we are very satisfied with this supplier.

The supplier is important to our business.
It would be costly to loose this supplier.
We are very dependent on our major supplier.*
If we wanted to, we could switch to another supplier quite easily. (R)
There are other suppliers that could provide us with comparable product lines. (R)

We are going to continue the business relationship with our wholesaler for many years.
We plan to enhance the relationship with our wholesaler in the future.
Even if we could, we would not end the relationship with our wholesaler because we enjoy working with it.
We want to keep working with our wholesaler because we genuinely enjoy our relationship with it.
Our positive feelings towards our wholesaler are a major reason we continue working with it.

### Table A1 (continued)

<table>
<thead>
<tr>
<th>Corr.</th>
<th>RSI</th>
<th>IE</th>
<th>CB</th>
<th>OL</th>
<th>CA</th>
<th>S</th>
<th>TR</th>
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<td>RSI</td>
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<td>.035n.s.</td>
<td>.266**</td>
<td>.035n.s.</td>
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<td>IE</td>
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<td>1</td>
<td>.292**</td>
<td>.373**</td>
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<td>.522**</td>
<td>.575**</td>
<td>.202**</td>
<td>.540**</td>
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<td>CB</td>
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<td>.246**</td>
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<td>OL</td>
<td>.258**</td>
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<td>CA</td>
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<tr>
<td>S</td>
<td>.817**</td>
<td>.187**</td>
<td>.830**</td>
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<td>TR</td>
<td>.206**</td>
<td>.808**</td>
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<td>D</td>
<td>.203**</td>
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<td>C</td>
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Significance: n.s. = not significant; * p ≤ .05; ** p ≤ .01

### Table A2: Correlation Matrix
Notes
[1] Higher-order constructs were modeled by first extracting factor values for the first-order dimensions and then using these as formative indicators in the structural equation model.

References
Homburg, C./Giering, A./Menon, A. (2003): Relationship Characteristics as Moderators of the Satisfaction-Loyalty Link: Find-


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