The Taxonomy of Buyer-Seller Relationships in the Thai Context

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Firms in today's competitive market have to go beyond the traditional 4P's in order to seek out ways to develop and enhance relationships with their key customers, especially in business markets. The purpose of this research study is to understand current practices of relationship marketing between buyers and sellers at the organizational level. The empirical model develops a relationship marketing taxonomy that comprises eleven relationship connectors. The data were collected from 318 Thai manufacturers. Hierarchical and iterative clustering was used to develop five types of relationship marketing practices used by Thai firms. The results provide insights into buyer-seller relationships and contribute to both theory and managerial practice.

1. Introduction

During the 1980s, marketers recognized the tremendous changes which had occurred globally in the scope of marketing practices, and that these practices tended to be more intense and competitively dynamic. The inadequacies of relying on only the 4 Ps has been described by Grönroos (1994) and Aijo (1996). Much empirical research has shown that retaining existing customers generates more value than searching for new customers, especially in the industrial and service marketplaces (Berry, Shostack, and Upah 1983, Grönroos 1990, Mckenna 1991, and Gummesson 2002).

The authors wish to thank the Thailand Research fund for sponsoring this research, and providing a Royal Golden Jubilee Grant.

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Since the 1990s, many journals have devoted special issues to relationship marketing, e.g., the European Journal of Marketing (1996), Industrial Marketing Management (1997, 2003), the Journal of Marketing Management (1997), the Journal of Academy of Marketing Science (1995), and the Journal of Business Research (2003).

Several conceptual and empirical research studies in the relationship marketing area have proposed relationship dimensions needed to develop and improve this area. This research study represents an investigation of buyer-seller relationship marketing practices in the Thai business market. The specific objective of this research is to replicate and extend the buyer-seller taxonomy developed by Cannon and Perrault (1999) through the addition of social dimensions that characterize marketing relationships. The results also portrays the nature of relationship marketing practices in Thailand, where collectivism is a key cultural characteristic.

2. Literature Reviews

Relationship marketing is frequently described as a form of "relational exchange". The research streams used to develop relationship marketing concepts have diverged into several off-shoots: transaction cost theory, relational contracting theory, social exchange theory, organizational theory, equity theory, and social network theory. The political economy paradigm and resource dependence theory attempt to bring the preceding theories together by integrating both economic value and other behavioural sciences. The IMP interaction model described below is an integrated model developed from both approaches that provides a rich explanation of business relationship phenomena.

Sheth and Parvatiyar (1995) state that although buyer-seller relationships have existed since the pre-industrial era, they were not studied academically until the 1970s. Furthermore, they state that, there is not one standard type of buyer-seller relationship

(Sheth and Parvatiyar 2002). A review of the literature shows the wide variety of types of buyer-seller relationships. The differences derive from the wide variety of classification dimensions employed, which reflect the different theoretical bases used. Economic value is usually used to identify the transaction type, while the relational exchange classification is behaviourally based. Transaction cost theory, relational contracting, resource dependency, political economic paradigms, and power-dependence in resource dependence theory are mainly used to explain the existence of relationship types practiced in markets. However, there is similarity at the polar areas of relationship exchanges, those being the arm's length, or distant relationship at one pole, and a close relationship at the other pole. Nevertheless, scholars suggest different forms of structures or terminology with the ultimate examples of the buyer-seller relationship being close relationship practices such as bilateral (Donaldson and O'Toole 2000), network marketing (Jarillo 1988; Pels, Coviello, and Brodie 2000), vertical integration (Webster 1992), and kieretsu (Aijo 1996). The research work conducted to classify types of relationships is in the early stages, and is associated with the development of conceptual frameworks. Only Cannon and Perreault (1999) and Donaldson and O'Toole (2000) have employed empirical methods to classify relationship types in industrial markets.

2.1 Buyer-Seller Relationship Connectors

Cannon and Perreault's (1999) empirically grounded taxonomy of buyer-seller relationship types in the business market conceptualizes the buyer-seller relationship in terms of multivariate profiles of different connectors. They define relationship connectors as "dimensions that reflect the behaviours and expectations of behaviour in a particular buyer-seller relationship" (p. 441). Consequently, their buy-seller relationships include only behaviour-anchored dimensions: operational linkages, legal bonds, information exchanges, cooperative norms, seller adaptation, and

buyer adaptation. They conclude that a different typology of buyer-seller relationships will emerge if social dimensions are taken into account. Their suggestion is consistent with other research in this field, especially the seminal work of Morgan and Hunt (1994) which reveals that trust and commitment are the key success factors in business relationships.

The next section describes the eleven dimensions of the buyer seller relationship that will be employed in this research, and are depicted in Figure 1. Six dimensions - operational linkages, legal bonds, information exchange, cooperation norms, buyer adaptation, and seller adaptation - are derived from Cannon and Perreault's (1999) Buyer-Seller Taxonomy. The remaining five dimensions are benevolence trust, honesty trust, commitment, long-term orientation, and power, which represent the behavioural and social dimensions of relationship marketing most commonly referred to in the literature. The literature review focuses mainly on the works of Cannon and Perreault (1999), Ganesan (1994), Morgan and Hunt (1994), and Wilson (1995).

Figure 1 Eleven Relationship Connectors

Behaviour Constructs	Social Constructs
Operational Linkages	Benevolence Trust
Legal Bond	Honesty Trust
Information Exchanges	Commitment
Cooperative Norms	Long-term Orientation
Seller's Adaptation	Power
Buyer's Adaptation	

2.2 Operational Linkages

Operational linkages is the term used by Cannon and Perreault (1999) to describe the buyer-seller relationship. It refers to "the degree to which the systems, procedures, and routines of the buying and selling organizations have been linked to facilitate operations" (p.442). It is important to recognize that operational linkages are distinct from "technical bonds" (Johanson and Mattsson 1987) and "operational integration" (Robicheaux and Coleman 1994). The linkage is seen at one end of the continuum as fully integrated, while the other end reveals no connection. Examples of fully integrated linkages are the computerized inventory system adopted by Walmart in connection with P&G, and Toyota's JIT inventory system used with its suppliers. The introduction of operational linkages generates an "idiosyncratic investment" or a "non-retrievable investment" which is believed to be the key success factor in transaction cost theory (Anderson and Weitz 1992; Hennart 1988; Hunt, Lambe, and Wittmann 2002; Jap and Ganesan 2000; Joshi and Stump 1999; William, Wachter, and Harris 1975). It also generates high switching costs and creates high interdependence in the relationship (Jap and Ganesan 2000; Rokkan, Heide, and Wathne 2003; Stern and Reve 1980).

2.3 Legal Bonds

"Legal Bonds" are defined as "detailed and binding contractual agreements that specify the obligations and roles of both parties in the relationship" (Cannon and Perreault 1999, p. 443). This term relates to "formalization,"[1] described in organizational science as a

[1] "Formalization" is the degree to which rules, policies and procedures govern the inter-agency agreement and contract, Van de Ven, Andrew H. (1976), "On the Nature, Formation, and Maintenance of Relations among Organizations," *Academy of Management Review*, 1 (4), 24-47., p. 26.

dimension of an inter-organizational relationship (Van de Ven 1976). Macneil (1978) studied the legal bonds associated with relational exchanges. The legal bonds concept was used as a foundation for studies of marketing channel relational exchange (Antia and Frazier 2001; Cannon, Achrol, and Gundlanch 2000; Dwyer and Oh 1988; Krapfel, Salmond, and Spekman 1991). Legal bonds have also been identified as a good governance mechanism for managing relationships (Gundlach 1994; Gundlach and Achrol 1993). Relational contracting theories suggest that the legal approach is used to control the opportunism characteristics noted in transaction cost theory (Gundlach 1994). Furthermore, they function as legal protection against fraud (Beale and Dugdale 1975), as well as a basis of agreement for future practice (Cannon et al. 2000; Macneil 1980). Even though the use of legal bonds is a common practice, preliminary studies have shown that non-contractual agreements are also widely practiced in marketing relationships (Macaulay 1963).

2.4 Information Exchange

Information exchange involves "expectations of open sharing of information that may be useful to both parties" (Cannon and Perreault 1999, p.441). "Communication" is similar to "information exchange", though the two terms are not synonymous. Communication functions as a tool for generating information and is also identified as a strategy used to develop a relationship (Duncan and Moriarty 1998; Mohr and Nevin 1990; Mohr, Fisher, and Nevin 1996). Van de Ven (1976) identified information flows and resource flows as the two important flows involved in inter-organizational relations. He suggested that the direction of flows indicates transaction patterns, while the intensity dictates the level or degree of action. Thus, the closer the relationship, the higher the intensity of information exchanges. For example, the just-in-time (or JIT) relationship requires inventory information updates: a two way exchange back and forth throughout the production process (O'Neal

1989). Furthermore, the level of written documentation and the frequency of contacts reflect the degree of routinization of inter-organizational relations (Van de Ven 1976). Information exchanges represent safeguards for vulnerable parties in a relationship (Achrol 1991; Heide and John 1992). Recent developments in information and communication technologies have generated information ubiquitously throughout society, increasing the intensity of both official and unofficial information exchange. Consequently, these increased information flows directly or indirectly affect the pattern and structure of a relationship (Bakos and Treacy 1986; Benjamin, Rockart, Morton, and Wyman 1984; Brady, Saren, and Tzokas 2002; Clark and Stoddard 1996; Kwan 1999; Markus and Robey 1988).

2.5 Cooperative Norms

The concept of cooperative norms is based on relational contract theory. Cooperative norms are subject to 28 overlapping types of relational contractual exchanges (Macneil 1980) and the application of game theory for a collectively desirable result. Cooperative norms are defined as "expectations the two exchanging parties have about working together to achieve mutual and individual goals jointly...do not imply one party's acquiescence to another's needs but rather that both parties behave in a manner that suggests they understand that they must work together to be successful" (Cannon and Perreault 1999, p. 443). High levels of cooperative norms mean that parties are working collectively to achieve their goals, in contrast to practices associated with low levels of cooperative norms. These cooperative norms can be used as a governance mechanism in both intra- and inter-organization relations (Ouchi 1979). For the buyer-seller relationship, co-operative norms are described as one dimension of a successful relationship (Cannon *et al.* 2000; Cannon and Perreault 1999; Chan 1997; Dwyer, Schurr, and Oh 1987; Wilson 1995), in any form of inter-organizational structure, e.g., dyadic, vertical integration, or

network (Achrol 1991; Dwyer *et al.* 1987). Cooperative norms function as the control mechanism for relational exchanges, where the desired goal is unspecified or uncertainty of the environment is the key characteristic of the relationship (Cannon *et al.* 2000; Noordewier, John, and Nevin 1990). Currently, cooperation is the major construct of the IMP "Interaction Model" in studying areas of the buyer-seller relationship (Metcalf and Frear 1992). It is also the key dimension in political economy paradigms used to explain the extent of a relationship.

2.6 Relationship-specific Adaptation by the Seller and Buyer

Adaptation is the construct focused that the IMP group focuses on in the buyer-seller interaction model (Metcalf and Frear 1992). It states that the development of relationships is a function of exchange, co-operation and adaptation and that adaptation occurs during the co-operation process. One or both sides of the dyad require an initial investment in order to meet the requirements of the counterpart. This concept is similar to "idiosyncratic investment" or "asset specificity" in transactional cost theory (Brennan and Turnbull 1999; Cannon and Perreault 1999; Hallén, Johanson, and seyed-Mohammed 1991). However, idiosyncratic investment mainly focuses on a specific point in time, while adaptation is continuous. Nevertheless, Brennan and Turnbull (1999) conclude that adaptation creates sunk costs, which generates the same result as idiosyncratic investment, i.e., the inability to transfer to other entities.

The relationship-specific adaptation construct adopted by Cannon and Perreault (1999) is based on the IMP approach. It is referred to as "investments in adaptations to process, product, or procedures specific to the needs or capabilities of an exchange partner" (p. 443). Adaptation is a significant feature in the dynamics of business relationships (Hallén *et al.* 1991). This definition is close to that of "flexibility" in relational contractual

theory (Macneil 1980), which is defined as "a bilateral expectation of willingness to make adaptations as circumstances change" (Heide and John 1992), p. 35). Adaptation by buyer, seller, or both, helps to ensure a long-term relationship in business practice (Brennan and Turnbull 1999; Hallén *et al.* 1991). Conversely, case studies have shown that it does not ensure a long term relationship (Brennan and Turnbull 1999). Trust, commitment (Brennan and Turnbull 1999), and dependence (Hallén *et al.* 1991) are identified as indicators of the level of adaptation. Brennan and Turnbull (1999) suggest that trust and commitment generate adaptive relationships, which reflect increasing trust and commitment in return. In conclusion, adaptation at any point in a relationship reflects the evolution of the relationship.

2.7 Benevolence Trust

The benevolence dimension of trust is defined as, "the belief that the partner is interested in the firm's welfare and will not take unexpected actions that will negatively affect the firm" (Kumar, Scheer, and Steenkamp 1995a, p. 350). Beneficial intentions and the motives of one partner toward another are the fundamental elements of benevolence (Dwyer and Lagace 1986; Siguaw, Simpson, and Baker 1998). While "ego" is fundamental to an economically based relationship, benevolence will convey sympathy and sincerity in retaining relationships (Ganesan 1994; Gassenheimer and Houston 2004; Kumar *et al.* 1995a; Mayer, Davis, and Schoorman 1995). Benevolence has been studied in channel partnerships (Anderson and Narus 1990; Siguaw *et al.* 1998), headquarter-subsidiary relationships (Hewett and Bearden 2001), and buyer-seller relationships (Ganesan 1994). Benevolence has been reported to be a factor in increasing a relationship's outcome in symmetrical relationships, with no significant effect in asymmetrical relationships (Ganesan 1994; Gassenheimer and Houston 2004). It means that the perception of benevolence is less significant for the party that

has a higher level of power, or less dependence on the relationship. Moreover, benevolence trust is also regarded as a significant element in generating cooperative norms and relationship satisfaction in channel relationships (Gassenheimer and Houston 2004; Siguaw *et al.* 1998), increasing global performance and affective norms in buyer-seller relationships (Gassenheimer and Houston 2004), and perceived interdependence by all parties in the relationship (Kumar *et al.* 1995a).

2.8 Honesty Trust

Honesty as an element of trust has been discussed in marketing research more frequently than the benevolence aspect of trust (Kumar *et al.* 1995a; Moorman, Zaltman, and Deshpande 1992; Morgan and Hunt 1994). It is defined as "the belief that the partner stands by its word (Anderson and Narus 1990), fulfills promised role obligations, and is sincere (Dwyer *et al.* 1987; Scheer and Stern 1992). "Credibility" is another term that is closely tied to honesty and is defined as "the extent to which the retailer believes that the vendor has the required expertise to perform the job effectively and reliably", (Ganesan 1994, p. 3). Even though "honesty" and "credibility" are not synonymous, in that the latter is included in the definition of the former, this research uses these terms interchangeably. Honesty trust is created when one party has confidence in an exchange partner's reliability and integrity (Morgan and Hunt 1994, p.23). Honesty has been empirically studied as a determinant of the relationship development process (Anderson and Weitz 1990, 1989; Anderson and Narus 1990; Moorman et al. 1992), interdependence (Kumar *et al.* 1995a), and long-term orientation (Ganesan 1994). Honesty is a key success factor in enhancing the interaction between counterparts in the relationship. It also increases cooperation and performance in many types of relationships, including the buyer-seller relationship in industrial markets (Doney and Cannon 1997), the channel relationship (Anderson and Weitz 1990, 1989; Anderson

and Narus 1990), and the vulnerable relationship or asymmetric relationship (Scheer and Stern 1992).

2.9 Commitment

For this research, commitment is treated as a multidimensional construct containing three components: (1) affective commitment, (2) expectation of continuity, and (3) willingness to invest (Anderson and Weitz 1992; Kumar *et al.* 1995a). Affective commitment is defined as "the desire to continue a relationship because of positive affect toward the partnership", (Kumar *et al.* 1995a, p. 351). Expectation of continuity is defined as "the firm's perceptions of both its own and its partner's intent to remain in the relationship, which, thereby, reflect the relationship's stability" (Kumar *et al.* 1995a, p. 351) and has been studied by Anderson and Weitz (1989) and Noordewier *et al.* (1990). Willingness to invest is defined as "a desire to do more than just remain in it with an intention to become more deeply involved in the relationship through investments of capital and effort", (Kumar *et al.* 1995a, p. 351). This dimension expresses a future orientation toward a stronger relationship. Commitment assumes that the relationship will bring future value or benefits (Wilson and Vlosky 1998).

2.10 Long-term Orientation

Long-term orientation is defined as "the perception of interdependence on outcomes in which both a vendor's outcomes and joint outcomes are expected to benefit the retailer in the long run" (Ganesan 1994, p. 2). The firm with a long-term orientation is focused on the benefits resulting from a series of transactions, not on a discrete transaction. Thus, a long-term orientation is also one of the critical dimensions in separating a discrete exchange from a relational exchange. Trust or commitment without long-term orientation will not maximize the benefits from the relational

exchange. Mutual importance to each other is a major characteristic of long-term relationships (Han 1997). Dependence and trust have been empirically studied as determinants of long-term orientation (Ganesan 1994).

2.11 Power

Power is a major element in resource dependence theory (Pfeffer and Salacik 1978). The incapability of one organization to handle all resources leads to a dependency on the other organization's resources (Heide and John 1992; Pfeffer and Salacik 1978). If the resource is significant to the former, the latter organization will gain power in driving the relationship. Power has mostly been studied in channel management research. It is defined as the "ability to control the decision variables in the marketing strategy of another member in a given channel at a different level of distribution", (El-Ansary 1972, p. 47). It means that the powerful party can dictate that its counterpart performs activities that it would not normally do. The terms "control" and "influence" are related and are frequently used interchangeably with "power". Gaski (1992) suggested that these terms be used as synonyms for "power". Even though power has been studied as a relationship governance mechanism, many researchers argue that it cannot generate a truly long-term relationship, and it can also generate conflict, especially coercive power (Lusch and Brown 1982). Consequently, business relationship researchers put great effort into understanding the development and transfer of power in order to configure a symmetric relationship and reduce conflict, which ultimately leads to mutual benefits for the parties involved (Antia and Fraizer 2001; Bucklin 1973; Dabholkar and Neeley 1998; Dwyer *et al.* 1987; Etgar 1976, 1978; Hunt and Nevin 1974; Ireland 1999; Kale 1989; Kasulis and Spekman 1980; Weitz and Jap 1995). Furthermore, power has been studied as a dimension for understanding the nature of each type of buyer-seller relationship (Dabholkar and Neeley 1998; Wilson 1995).

3. Methodology

In this section, we first describe the sampling and data collection procedures, and then describe the development of the research instrument (questionnaire). Next, we assess response rate and response bias, the reliability of the measures, and the discriminant and convergent validity of the constructs.

3.1 Sampling and Data Collection Procedures

In this research, the population of interest is Thai manufacturing businesses. Instead of canvassing all industries in Thailand, the research focuses on the food, textile and garment, leather and footwear, furniture and electrical appliances and electronic parts industries. The selected industries are major contributors to Thai economic growth, employment, and social development. The factory registration database in 2000 provided by the Department of Industrial Work, Ministry of Industry, was used as the sampling frame for the research study. The list includes all registered factories operating in Thailand. The final sampling frame is composed of factories registered in Thailand from category TSIC 1969 with more than 20 employees; a total of 5,046 factories. Disproportionate stratified random sampling was used to derive a representative sample from each industry and from each factory size. First, the sampling frame was divided into mutually exclusive and exhaustive subsets based on the five industries. Next, the factories in each industry were divided into five groups based on number of employees: 1) 20-50, 2) 51-500, 3) 501-750, 4) 751-1000, and 5) > 1000. Group one is classified according to the classification criteria of small business in Asean, which comprises firms between 20-50 employees. For groups 2 to 4, the classification is adapted from the small and medium business classification of the U.S. Small Business Administration (SBA). Group five consists of large enterprises. After the exhaustive classification of firms in the

sample frame, the list of companies was arranged in ascending order based on registration number. Then, a simple random sample of companies was selected independently from each size group in each industry. Fourth, the sample size is calculated based on the requirement of scale unit precision level (H), 95% of desired degree of confidence, and 1.25 population variance. The application of these procedures yielded a targeted sample size of 278.

The mail survey was considered to the desirable data gathering method for this research setting because of the nationwide dispersion of factories in the data set. However, response rate is a major concern associated with the use of this technique. To reach at the estimated sample size, the sample selection procedure estimated that we would need to generate a sample of 2,298 factories. To maximize response rate from this sample, the mail survey was administered in four steps. First, an introduction letter was mailed to the managing director, who served as the key informant for this research. The complete survey packet was sent one week later, containing a cover letter, a questionnaire booklet, and a prepaid envelope. A reminder letter was sent out three weeks later. Finally, a second reminder was sent, containing the reminder letter, a questionnaire and a prepaid envelope. The total period for data collection was approximately four months. Every letter stressed the confidentiality of the responses, stating that, "Your reply will be treated in the **strictest confidence** and your name will not be associated with the analysis in any way". The letters were customized for each respondent by specifying the managing director's name in the salutation. Moreover, the Thammasat University Doctoral Program in Marketing letterhead was used, and the letter was signed by the Chairman of the Doctoral Program. The contact person was clearly stated in every letter, and every page of the questionnaire booklet carried the mobile phone number of the researcher in a footnote. Thai language was used as the communication medium in both the letter and the questionnaire.

3.2 Instrument (Questionnaire) Development

The questionnaire was targeted at the managerial level and pertained to management's evaluation of its current relationship with the company's most valuable customer. All measures used in the questionnaire had been adopted from studies that appeared in top marketing academic journals, and were translated into Thai since it was assumed that Thai respondents would be more proficient in Thai than in English. The translation process sought to produce a Thai language questionnaire that was not only linguistically equivalent, but also used language that correctly reflected the content of the original measures. The process began by translating the original English questionnaire into Thai, a process performed by the researcher and an independent translator. The two sets of Thai questionnaires were then back translated into English by two independent translators, both fluent in Thai and English (Craig and Douglas 2000; Guthery and Lowe 1992). Neither back translator had ever seen the original English version of the questionnaire (Behling and Law 2000). The two back-translated questionnaires were then individually compared with the original English questionnaire to evaluate whether the two versions were conceptually equivalent. For mismatched remarks, the researcher went back to the two Thai versions and selected the sentence that best matched the original. The evaluation was a back and forth process between all sets of questionnaires, and the researcher's judgment was used to make the final decisions. All attitudinal measures in Likert scales were adjusted to be six-point scales ranging from "strongly disagree" to "strongly agree," instead of the five-point scales used in the originals. This change was made to adapt the scales to correspond with the tendency of Thai respondents to avoid extreme answers by selecting the neutral position on five-point scales. The six-point scale forces respondents to answer on one side of the anchor. The survey was initially pretested by two researchers and three businessmen. We modified the survey on the basis of their feedback

and the revised survey was used in a pilot test in order to ensure the integrity of the questionnaire design and concepts. Comments from the pilot test were then used to refine the questionnaire.

3.3 Response Rate and Nonresponse Bias

Business closures, address changes and other mailing problems reduced the sample frame by 12.4%, from 2,298 to 2,013. A total of 455 responses were received, although of the 46 companies were not qualified because they employed less than 20 people. We therefore received questionnaires from 409 of the 1,968 eligible respondents, a response rate of 20.78%. However, 35 (8%) of the questionnaires were incomplete, further reducing the sample to 374, or 19% of the eligible questionnaires sent out. After data cleaning, the ultimate sample for analysis consisted of 349 respondents. A wide variety of customers were specified by the key informants as being the company's largest customer, ranging from small-sized to large-sized firms, and including both foreign companies and Thai companies. The customers included manufacturers, wholesalers/retailers, and distributors. Almost 15.3% of respondents reported that the focal customer accounts for 80% or more of total sales, and 5.4% reported that the identified customer is their sole customer. Most respondents indicated that the customer accounts for a 50% of the company's sales, while 24% indicated that the specified customer accounts for 20% or less of total sales.

Key informants came from top management (31.5%), middle management (43.8%), officers (8.6%), and others (16%). The average number of years in the organization is 8.88 (mode = 10), and the average time in their current position is 7.12 years (mode = 10). The 349 qualified respondents are normally distributed with respect to number of employees with the largest portion (37%) employing 51-200 employees. With regard to owner type, 48.1% are partnerships and 39.5% are sole proprietorships. Respondents represent all five industries sampled - food (21%), textiles and

garments (21%), leather and footwear (14%), furniture (22%), and electrical appliances and electronic parts (22%). Most (62.8%) produce finished goods, and the remaining 37.2% produce parts and accessories. The sample distribution therefore indicates that the sample is representative of a variety of business in terms of both size and industry.

The typical process for checking non-response bias is to compare the characteristics of respondents with the characteristics of the selected population. The study employed a limited database which precludes the application of typical non-respondent bias tests. However, Armstrong and Overton (1977) suggest that non-response bias can be checked by comparing early and late responses, based on the assumption that late respondents are more similar to be non-respondents than early respondents. So, non-response bias was checked by initially classifying the respondents into three groups based on the return date of the questionnaire. These three groups were compared on the basis of the eleven relationship dimensions, and there are no statistically significant differences between the groups. The eta squared is between 0.001-0.015.

3.4 Measures

One goal of this research is to extend the empirical efforts in relationship marketing research by providing an empirical test on the taxonomy of marketing relationships in Thailand. Although the measures used in this research had been employed in previous research, the scales needed to be refined to reflect the different context of the research and the inclusion of social dimensions among the relationship connectors. The reliability and validity of the measurement model had to be established before proceeding to the taxonomy procedures (Anderson and Gerbing 1988; Fornell and Larcker 1981).

To develop the relationship marketing taxonomy, the eleven characteristics described above were used to describe the relational

facets, i.e., the six behavioral dimensions of operational linkages, legal bonds, cooperative norms, information exchange, seller adaptation, and buyer adaptation, and the five social dimensions of benevolence and honesty trust, commitment, long-term orientation, and power. All of these characteristics are used to define a unidimensional set of items that describe specific characteristics of the relationship taxonomy (Anderson and Gerbing 1988; Gerbing, Hamilton, and Freeman 1994). AMOS 4.01 (Arbuckle and Wothke 1999) was used to test confirmatory factor models and to evaluate the measurement data from the final survey. These models were estimated using the maximum likelihood fitting function. The measurement models provide acceptable fit for all eleven constructs.

4. Taxonomy Development Procedure

The cluster variables are comprised of the eleven relationship dimensions used to develop the relationship strategies described in the previous section. The correlation matrix of these variables shows a range of 0.088 to 0.687, which suggests that multicollinearity is not a problem. The taxonomy development procedure began with hierarchical clustering, followed by iterative clustering.

Hierarchical clustering was done in order to deal with outliers and to obtain a priori information for the iterative clustering employed in the second stage of clustering. The ultimate outcomes of this stage are to determine (1) the optimum number of clusters, (2) the starting point for the iterative partition used in the second stage, and (3) the outliers for deletion when preparing the data for the second stage. Hierarchical clustering requires two decisions pertaining to (1) prior knowledge about the possible range of the number of clusters and (2) the algorithm to use in performing the clustering. Previous research conducted by Cannon and William (1999) had identified an eight cluster solution for a buyer-seller relationship taxonomy that was based on five variables. Based on these findings, 9 to 15 clusters was specified as the startup range of

the clustering solution employed in this research. To identify the appropriate algorithm, Euclidean distance was measured based on single linkage, complete linkage, average linkage, and Wards' method, and centroids were tested using hierarchical analysis. In conclusion, the complete linkage (or furthest neighbour as specified in SPSS 11.5) was selected. The z score was used to transform the data to be standardized. Next, an analysis of agglomeration coefficients was conducted in order to determine the optimum clustering solution range. Conceptually, a large increase in the agglomeration coefficients indicates a merging of two very different clusters, and vice versa. Alternative clustering solutions that range from two clusters to eight clusters identified, along with initial seed points for iterative clustering, and the data for clustering was reduced to 318 records. The next set of analyses employed the *a priori* information developed in this section to perform an internal validation of the sample using K-mean clustering to ensure the stability and reproducibility of the cluster solution, as recommended by Punj and Steward (1983).

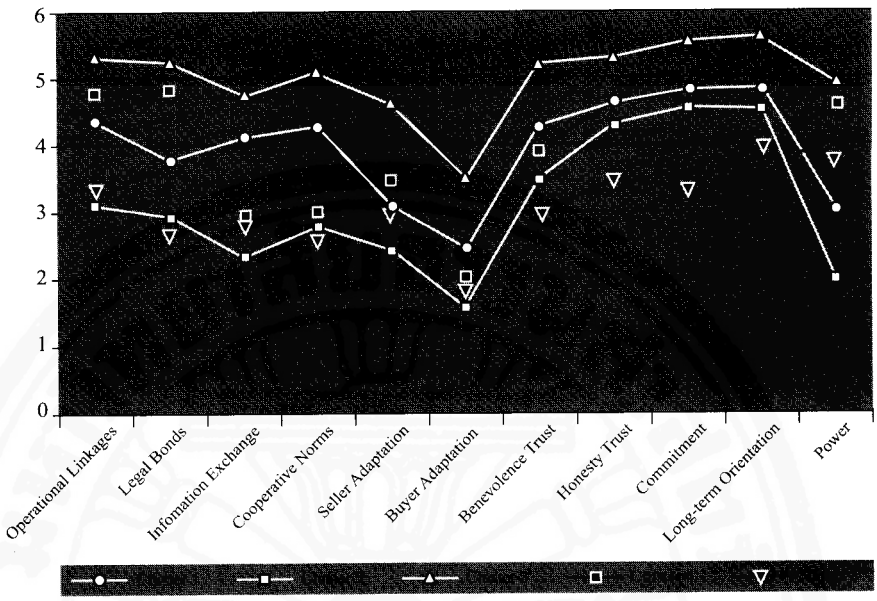
The K-mean clustering routine found in SPSS 11.5 was utilized for iterative clustering,. This section provides details of the internal validation of the sample and of the final cluster solution. The *a priori* range of two to eight cluster solutions and the initial seed points of each cluster solution were used to investigate the stability and reproducibility of the final solution. The 318 records were randomly split 60:40 to be G1 and G2. G1 was named as the test sample and contained 191 respondents, while G2 was the holdout sample for purposes of internal validation and contained 127 respondents. K-mean cluster analysis was performed on G1 for seven different cluster values (N = 2, 3, 4, 5, 6, 7, and 8). Initial seed points derived from the complete linkage results described in the previous section were used to perform K-mean clustering for each cluster value. A cross validation of the G2 sample utilized constrained and unconstrained solutions. For the constrained solution, the results of the G1 clustering were used as criteria for classification based

on the proximity matrix. The minimum distance from the centroid implies that the record is a member of the cluster. The unconstrained solution classifies all cases in G2 with no *a priori* constraint imposed. Results of the hierarchical clustering were entered as initial seed points instead of being randomly identified by the algorithm. The chance corrected coefficient of agreement, Kappa, was computed for the two solutions which employed the G2 cases. The optimal number of clusters for this sample was selected based on the maximum Kappa value, which is a five-cluster solution. The iterative process used for internal validation indicates that the optimal number of cluster solutions for this sample is the "Five Clusters" solution. In the next stage, the cases in G1 and G2 were pooled and input into the K-mean cluster analysis by using SPSS 11.5 with the number of clusters specified at five. Results of the clustering are discussed in the following section.

5. Buyer-Seller Taxonomy Results

The optimal number of clusters was chosen, and the *a priori* and initial seed points are ready for clustering. After pooling G1 and G2, a final five-cluster solution was developed. Figure 2, provides a summary of the mean values of each descriptor for each cluster.

Figure 2 Graphical Descriptions of Each Cluster



5.1 Interpretation of Clusters

Each cluster then was labelled and interpreted based on dimensions used in the classification. The clusters were rearranged according to the level of closeness of their relationships with each other. Table 1 presents the revised ordering of the clusters and the names given to each cluster, which are described in detail in the following paragraph.

Table 1 Cluster Naming and Ordering (n = 318)

Old name	=	New Name		Number of Cases	Percentage
Cluster 5	=	Transaction or Distance	(Cluster 1)	54	17%
Cluster 2	=	Attitudinal-Oriented	(Cluster 2)	72	23%
Cluster 4	=	Contractual	(Cluster 3)	62	19%
Cluster 1	=	Mutual Adaptation	(Cluster 4)	95	30%
Cluster 3	=	Partnership	(Cluster 5)	35	11%

Transaction or Distant Relationship (Cluster 1). This cluster contained 17% of the sample. These relationships were the lowest in terms of most dimensions, especially on the social dimension. On the behavioral constructs, notable exceptions exist with regard to information exchange, seller adaptation, and power, all of which are higher than in Cluster 2. Moreover, the power of the buyer over the seller is relatively high. This cluster appears to typify an arm's length buyer-seller relationship.

Attitudinal-oriented Relationship (Cluster 2). This cluster contained 23% of the sample's buyer-seller relationships. The relationship described in this cluster is similar on most behavioral constructs to Cluster 1, but it is significantly lower than Cluster 1 in terms of information exchange and seller adaptation. Conversely, the social dimensions of Cluster 2 are relatively high when compared with Cluster 1. Notably, the power dimension of this relationship is significantly lower than any of the other clusters. This special characteristic corresponds to the low value placed on adaptation dimensions by both seller and buyer. Cluster 2 therefore appears to typify an informal buyer-seller relationship.

Contractual Relationship (Cluster 3). This relationship category contained 19% of the sample. The pattern of relationships is close to those depicted in Cluster 4, with the special differentiating characteristic being a significantly higher level reported on the legal bonds dimension. This high value corresponds with the high value placed on the long-term orientation dimension. Moreover, the higher proportion of seller adaptation relative to buyer adaptation implies the greater power of the buyer over the seller that exists in this relationship. This cluster appears to typify buyer-seller relationships explained by relational contracting theory.

Mutual Adaptation Relationship (Cluster 4). This category contained 30% of the sample, which represents the largest group in this research. In general, this relationship type is similar to the contractual relationship, but with lower levels of legal bonds and low levels of long-term orientation. In addition, a specific

characteristic of this relationship is that the difference between the seller adaptation and buyer adaptation is relatively low. This indicates a low level of buyer power over the seller, which is reinforced by the high value placed on information exchange, cooperative norms, and benevolence trust.

Partnership or Close Relationship (Cluster 5). The relationship depicted in cluster 5 is exhibited by 11% of the sample. Firms in this cluster are highly interconnected in all relationship dimensions, and it is the only group that exhibits a high level of buyer adaptation. However, this relationship is also subject to legal bonds, operational linkages, and power, similar to contractual relationships. This cluster appears to typify a close type of relationship.

In summary, the K-mean clustering creates five relationship strategies based on the eleven relationship dimensions. At one extreme, there is an transaction relationship that is characterized by low levels in all dimensions of the relationship. At the other extreme is a partnership relationship that exhibits the highest values on all relationship dimensions. In between, the relationship types can be classified into three levels. In descending order, there is, first, the attitudinal relationship which exhibits high levels only on the social constructs, while the values associated with the behavioral constructs are similar to those found in the transaction type of relationship. Second, the contractual relationships which have a pattern of relationship dimensions that is close to the transaction type except that legal bonds and operational linkages are relatively high. Third, the mutual adaptation relationship type, which is the only group in the cluster analysis characterized by a small difference between seller adaptation and buyer adaptation, reflecting a power level that is lower than average. However, operational linkages, legal bonds, and long-term orientation levels are lower than those of the contractual relationship.

6. Theoretical Contributions, Managerial Implication, Limitations and Future Research

6.1 Theoretical Contributions

The findings from this research make notable contributions to advancing theory in the area of buyer-seller relationships in business-to-business marketing. This research contributes to both conceptual and empirical knowledge relating to buyer-seller relationships in business marketing. Three major contributions to this area can be identified from the findings.

First, the study provides strong empirical support with respect to the importance that operational linkages, legal bonds, information exchange, cooperative norms, seller adaptation, buyer adaptation, honesty trust, benevolence trust, commitment, long-term orientation, and power have to the development of different types of buyer-seller relationship strategies in the industrial market. These contributions extend and enhance those of earlier conceptual research which described only two types of relationships; distant and close.

Second, the analysis conducted on the different types of buyer-seller relationships contributes to mid-range theory development. The extension of the Cannon and Perreault (1999) buyer-seller taxonomy by incorporating social dimensions into the classification process resulted in the identification of five distinct types of buyer-seller relationships. Each relationship type was identifiable based on the knowledge of clear differences in organization profiles which can subsequently be used to identify relationship propensities rather than the less accurate measures of industry or country. The results indicated that neither industry nor organization size can discriminate different relationship types as well as the eleven relationship dimensions. The use of this method of classification can provide a more precise and structured framework for developing relationship theory in the future.

Third, this empirical research into buyer-seller relationship

taxonomies was the first to be conducted using suppliers located in a developing country. This aspect of the research contributes grounded theory in terms of the ability to generalize aspects of business relationships found to exist in firms located in developing countries. Five relationship types were identified in this research, versus the eight identified by Cannon and Perreault (1999). The results are similar in some important ways, however, since three of the relationship types are the same; distant, close, and contractual relationship types.

6.2 Managerial Implications

Understanding the Circumstances of the Current Relationship. Prior to any changes, understanding the nature of the current relationship is critical for establishing the requirements to improve the relationship. The relationship dimensions employed in this research can be used to better understand the current relationship that exists between buyer and seller. The relationship taxonomy provides the blueprint for managers to detect the current practices used in working with their major customers. Each relationship dimension represents a factor that managers should take into consideration. The organization's practices may or may not epitomize a particular relationship strategy, but the firm can derive information based on each dimension, which can suggest a direction for improvement. The benefits will be greater if similar dimensions are used to discern how the customer perceives the relationship in each dimension, and then to compare these perceptions with the organization's practices.

Identifying the Relationship Strategy for the Business. Following the situation analysis, the relationship taxonomy established in this research can be used as the template for managers to identify the relationship practices that are required for their particular business, i.e., whether it is most appropriate to have a transactional, attitudinal oriented, contractual, mutual adaptation, or

partnership relationship.

Determining the Parameters to Improve, Adjust, or Develop the Relationship. The comparison between the current and desired relationship strategy supplies the requisite information for relationship improvement. The manager can determine which parameters should be improved, adjusted or developed in order to obtain the desired relationship.

6.3 Limitations

As with any study, the findings of this dissertation need to be qualified by recognizing the limitations associated with the way it was conducted. The limitations must be identified in order to caution users about the manner in which the findings can be used. However, the limitations also provide opportunities for the future research discussed in next section. The limitations revolve around five main issues: (1) the disadvantages of a cross-sectional research design, (2) the limited scope of the research context, (3) responses that come from one side of a dyad and a single informant, (4) sampling frame quality, and (5) selective relationship dimensions.

6.4 Future Research

Research Replication: The limitations section noted that this model is limited by the fact that the research did not use multiple informants. Kumar, Stern, and Anderson (1993) suggested that multiple informants should be employed, especially for research that focuses on inter-organization relations. The results of such replications will enhance the generalizability of this model and could bring to light relationships that had been concealed due to the use of single informants.

Research Extension: The relationship taxonomy provides a blueprint for future research that studies the interactions of each relationship dimension within the context of the types of buyer-seller

relationships. Understanding the structure of each relationship type would provide archival data that benefits future research and that specifies the unit of analysis as the inter-organization relationship research instead of using industry, type of business, or side of the dyad as criteria. This research suggests that future research should be undertaken to provide a profile of each relationship type found in inter-organization relations.

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