ORIGINAL EMPIRICAL RESEARCH

Achieving relationship marketing effectiveness in business-to-business exchanges

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Abstract Relationship marketing research and practice operate according to the paradigm that firms should invest in relationship marketing to build better relationships, which will generate improved financial performance. However, findings that relationship marketing efforts vary in their effectiveness across customers and may even be detrimental to performance challenge this belief. This article, therefore, offers a theoretical model that addresses three key issues: 1) what factors determine a customer's need for relational governance (relationship orientation); 2) what mediating mechanism captures the negative effects of relationship marketing on performance (exchange inefficiency); and 3) how does a customer's relationship orientation determine the effectiveness of relationship marketing, thus allowing for effective segmentation. The authors demonstrate in an empirical study that the trust in the salesperson and exchange inefficiency both mediate the effect of relationship marketing on seller financial outcomes. In addition, customers' relationship orientation moderates the impact of relationship marketing on both trust and exchange inefficiency.

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The belief that relationship marketing (RM) investments build stronger, more trusting customer relationships (Morgan and Hunt 1994) and improve financial performance (De Wulf Odekerken-Schröder and Iacobucci 2001; Reichheld and Teal 1996) has led to massive spending on RM programs. Yet practitioners that strive to shift customers to purportedly more desirable relational interactions often wind up disappointed in the returns (Cram 1994; Payne and Ballantyne 1991). Ineffective RM is troublesome, in that the seller incurs additional expenses with nothing to show in return. More devastating however is the possibility that RM could be counterproductive and actually generate negative customer reactions (Cao and Gruca 2005; Colgate and Danaher 2000; Dowling and Uncles 1997).

When might customers react negatively to a seller's use of relationship marketing? Presumably, when the customer is negatively affected by that RM. That is, some customers do not seek nor do they desire deeper relational exchanges, and for them the costs associated with building and maintaining a relationship exceed the perceived benefits. Thus, a key question emerges: What determines the costs and benefits a customer derives from a seller's RM?

We propose that a customer's *relationship orientation* (RO) or desire for relational governance dictates his or her evaluation of both the benefits and the costs of a relational exchange and thus the ultimate effectiveness of a seller's

RM. In this sense, RO is not an individual personality trait, but is instead an evaluation of relational value in a given exchange context. If managers can identify the factors that affect a customer's RO, they might target their RM efforts in a manner superior to current practices, which allocate RM spending on the basis of sales potential (Anderson and Narus 1991; Rust and Verhoef 2005). These issues address one of the Marketing Science Institute's highest research priorities (MSI 2004: 10): "segmenting and managing by type of relationship desired by customer/firm."

An analysis of RO can employ several different perspectives. Researchers demonstrate that both firms (Johnson and Sohi 2001) and individuals (De Wulf Odekerken-Schröder and Iacobucci 2001) exhibit relatively stable orientations toward relational exchange. Thus, RO might capture either the firm's or the individual's underlying inclination to seek out or avoid relationship exchanges across each exchange opportunity. Yet in some cases, situation-specific elements might counter such underlying inclinations. For example, those with generally strong orientations toward relational exchange might avoid deeper relationships if the instance warrants. Similarly, a given circumstance might motivate those who would normally prefer arm's-length transactions to engage in a relational exchange.

In the current research, we focus on a theoretically and managerially relevant question: What factors motivate a party to seek out or avoid relational governance in a specific exchange context? We propose that a party's *overall* RO with regard to a specific exchange context consists of both stable and variable exchange-specific elements. Although, as noted above, RO may be evaluated at either the boundary-spanner or firm level, because we investigate a wide range of exchange-specific antecedents, we focus on the former, specifically, the buyer-salesperson dyad. We examine a buyer's RO toward an exchange with a particular salesperson to acquire a specific product. In so doing, we can investigate the impact of various factors at the industry, firm, and individual levels on buyer RO.

We thus seek to provide insight into RM effectiveness and its potential detrimental effect by understanding how a buyer's RO determines how that buyer evaluates both the costs imposed by the salesperson's RM and the benefits received from that RM. Investigating the potential negative effects of RM addresses a noticeable gap in extant models of RM, which typically model only the mechanisms through which RM positively affects performance (Palmatier et al. 2006). In particular, we contribute to the literature in three ways:

1. We identify both stable and exchange-specific factors that determine a buyer's relationship orientation (desire for relational governance).
2. We develop and test a model of exchange interaction that captures RM's positive and negative effects for the buyer

by incorporating the mediating mechanisms of relational benefits (trust) and costs (exchange inefficiency).
3. We test the premise that a buyer's relationship orientation moderates the effectiveness of RM and thus offer insights into RM segmentation strategies.

Through a review of the literature, we develop a model that outlines the role of the buyer's RO in determining the overall effectiveness of RM directed toward that buyer. Next, we describe our research methods and test our hypotheses using data from 269 matched buyer-salesperson dyads across a wide range of industries, companies, and product categories, which enhances the robustness and generalizability of our findings. Finally, we discuss the theoretical and managerial implications of this research and provide directions for further research.

Role of relationship orientation in relationship marketing effectiveness

Researchers argue that RM is not effective for all customers (Cao and Gruca 2005; Reinartz and Kumar 2000) and that customers sometimes seek to avoid relationships (Berry 1995; Crosby et al. 1990). Nevertheless, many practitioners seem to believe that given enough effort, they can build relationships with even the most unreceptive customers. Previous researchers offer the intuitively compelling argument that strong relationships develop best when the customer is receptive to the relationship-building efforts (Anderson and Narus 1991; Dwyer et al. 1987), but surprisingly little empirical research actually tests this presumption. Assuming this argument is true, we still do not know which factors determine customer receptivity. Extant research focuses on stable components of a customer's RO (De Wulf Odekerken-Schröder and Iacobucci 2001; Johnson and Sohi 2001), but additional exchange-specific factors also may affect the customer's receptivity to that seller's RM.

Building on this prior research, we define a party's *relationship orientation* as its desire to engage in a strong relationship with a current or potential partner to conduct a specific exchange. With this definition, we capture both the stable and exchange-specific aspects of a party's desire for a relationship in an exchange context. Furthermore, we focus on an individual buyer's RO toward a specific salesperson with regard to the acquisition of a specific product, which enables us to evaluate the impact of salesperson and product characteristics on the buyer's RO. As predicted by the alignment perspective (Venkatraman 1989), we posit that RM generates the highest returns when the salesperson's relationship-building efforts match the buyer's relational governance needs. Misalignments impose costs on the buyer and therefore have a negative impact on seller outcomes.

Extant research evaluating specific governance problems (e.g., uncertainty, dependence) using a transaction cost or resource dependence framework supports the notion that relational governance can solve exchange problems and enhance performance (Heide and John 1988). A customer seeks the exact degree of relational interaction that will optimize performance in any specific exchange. Consistent with resource dependence theory (Pfeffer and Salancik 1978) and transaction cost economics (Noordewier et al. 1990; Williamson 1985), we anticipate that a customer expends effort to build and maintain relational exchanges to solve governance problems. Whereas most research agrees that customers desire relationships to solve governance problems, other studies argue, on the basis of contracting, norm, or social exchange theory (Dwyer et al. 1987; Macaulay 1963; Macneil 1980), that other factors may contribute to a customer's desire for a relationship. (For a summary of this literature, see Table 1).

Therefore, a key challenge is determining which factors promote an exchange partner's desire for relational governance. Because we take the perspective of an individual buyer, embedded in a specific industry and buying firm, we anticipate that factors at each of these levels will affect the buyer's RO (Heide and John 1992). The impact of industry and buying firm characteristics on RO should remain relatively stable across buyer interactions with multiple sellers and for procurements of different products. For example, buyers employed at firms with dedicated supplier partnering initiatives probably are more relationally oriented than buyers at firms with policies to buy only from the lowest priced supplier (Johnson 1999; Johnson and Sohi 2001). Alternatively, the impact of partner or product factors on a buyer's RO could vary across situations (Bendapudi and Berry 1997; De Wulf et al. 2001), such that a buyer seeks a stronger relationship with a salesperson if the product is critically important but prefers automated transactions when purchasing a nonessential commodity, because a strong relationship would offer little value in that context.

Effects of stable and exchange-specific factors on relationship orientation

As we outline in Fig. 1, industry, organizational, intrapersonal, and product factors may exert significant influences on the development of an individual buyer's RO. In other words, we examine the buyer's RO and his or her perception or evaluation of the stable and exchange-specific factors that we hypothesize determine that RO. Stable factors, which remain constant across the buyer's interactions with different sellers, could include industry relational norms and the buying firm's relational-centric reward systems. Exchange-specific factors that promote RO

include those elements unique to the particular exchange context; we examine two such factors: salesperson competence and product dependence.

Industry relational norms reflect the value placed on customer–supplier relationships in the buying firm's industry, as perceived by the buyer. The value placed on relationships can vary widely across industries (Heide and John 1992; Macaulay 1963). Anderson and Narus (1991: 96) propose that each industry has an "industry bandwidth of working relationships" that "reflects the explicit or implicit relationship strategies." Thus, the industry's typical relational practices affect the customer's receptivity to relationship-building efforts.

Relational–centric reward systems refer to the degree to which the buying firm's evaluation systems, compensation programs, and policies promote strong relationships with suppliers. Weitz and Bradford (1999) suggest that firms should encourage employees to build relationships by implementing systems that reward relationship quality with exchange partners. A buyer who perceives that his or her evaluations and rewards depend mostly on price reductions, multiple sourcing, or number of transactions will tend to be more transaction oriented. In contrast, a buyer who perceives that his or her firm provides incentives to encourage relationship-building efforts likely exhibits a stronger RO to achieve assigned targets and maximize personal outcomes. We therefore propose:

> H_1: A buyer's relationship orientation is affected positively by his or her perceptions of (a) industry relational norms and (b) the buying firm's relational–centric reward systems.

Salesperson competence reflects the salesperson's capabilities across a range of relevant tasks (Doney and Cannon 1997). A salesperson whom the buyer perceives as highly competent will engender greater buyer confidence, reduce costs associated with the exchange, and be more likely to solve problems and ensure a successful exchange. People are more likely to seek strong relationships with partners they perceive as more competent (Crosby et al. 1990).

Product dependence reflects the buyer's need to maintain a relationship with a selling firm to acquire a specific product. Resource dependence theory suggests that a party can manage its dependence on exchange partners by building relationships with them (Pfeffer and Salancik 1978). We anticipate that a buyer who reports greater product dependence will actively seek to build ties with the source of that product to balance the interdependence between buyer and source (Ganesan 1994; Heide and John 1988; Kumar et al. 1995). Thus, greater perceived product dependence should motivate higher buyer RO. This conjecture is consistent with Johnson's (1999) finding that

Table 1 Illustrative research summarizing the antecedents to relationship orientation

Illustrative research	Context	Theoretical basis	Antecedents to relational orientation	Key findings or propositions
Anderson and Narus 1991	Business-to-business interactions	Qualitative case-based research	Value to customer, relative dependence, industry norms, and customers' philosophy of doing business	The value of the product offered to the customer, relative dependence, industry norms, and customers' philosophy of doing business can make customers more receptive to relationship building efforts.
Cannon and Perreault 1999	Business-to-business interactions	Resource dependence theory (Pfeffer and Salancik 1978) and transaction cost economics (Williamson 1985)	Dependence, dynamism, complexity of purchase, and importance of product	On the basis of clusters of buyer–seller relationships, the authors identify a continuum of procurement situations that progressively involve more procurement obstacles. The greater the combined effects of such obstacles, the more likely is the customer to seek a closer relationship. This post hoc result suggests that customers develop a need for a relational governance structure based on a wide range of exchange problems.
De Wulf Odekerken-Schröder and Iacobucci 2001	Interactions between food and apparel retailers and consumers	Based on research suggesting more involved customers have a tendency to be more loyal and that some customers are "psychologically predisposed" to relationships (Christy Oliver and Penn 1996)	Product category involvement and relational proneness	Partial support for the premise that perceived relationship investments have a greater impact on relationship quality when customers have higher levels of product category involvement and are more relationally prone (individual difference measure). The lack of significant findings for 50% of the moderation tests may be due to independent evaluations of the two moderators, where customers simultaneously evaluate multiple factors to determine their overall desire for a relationship.
Dwyer Schurr and Oh 1987	Business-to-business interactions	Transaction cost economics (Williamson 1985) and contracting theory (Macneil 1980)	Dependence, uncertainty, exchange efficiency, and social satisfaction	Customers weigh many factors (e.g., dependence, uncertainty, exchange efficiency, social satisfaction), including potential trade-offs involved in a relational exchange. Customers utilize relational governance to manage many different exchange problems, but the governance benefits must outweigh the governance costs. Thus, in some situations, relational costs may overwhelm relational benefits, suggesting relationship marketing would damage the relationship.
Johnson 1999	Business-to-business interactions	Resource based view (Barney 1991)	Dependence, age, flexibility, continuity expectations, and relationship quality	Dependence, age, flexibility, and continuity expectations relate positively to a firm's focus on strategic integration with its suppliers.
Johnson and Sohi 2001	Business-to-business interactions	Political economies framework (Stern and Reve 1980)	Relational proclivity	A firm's relational proclivity and strategic intent increase interfirm relationship connectedness.

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Table 1 (continued)

Illustrative research	Context	Theoretical basis	Antecedents to relational orientation	Key findings or propositions
Heide and John 1992	Component suppliers and OEM manufacturers	Transaction cost economics (Williamson 1985), contracting theory and relational norms (Macaulay 1963; Macneil 1980)	Transaction-specific investments and dependence	Customers making transaction-specific investments could prevent a loss of control to the supplier by developing a relational governance structure (relational norms).
Noordewier John and Nevin 1990	Supplier of ball bearings to industrial customers	Transaction cost economics (Williamson 1985)	Uncertainty	Customers' performance is enhanced when they match their relational governance structures to the level of environmental uncertainty. In situations of high environmental uncertainty, customer 's purchasing performance is enhanced by stronger supplier relationships.

dependence on a supplier's products has a positive impact on a firm's relational focus toward its suppliers. We therefore hypothesize:

> H$_2$: A buyer's relationship orientation is affected positively by its perceptions of (a) salesperson competence, and (b) product dependence.
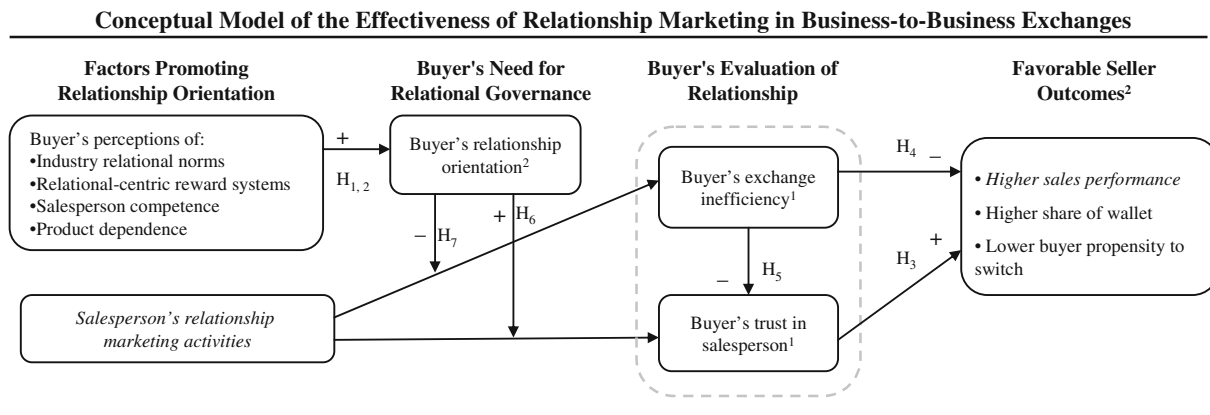
Effects of the benefits and costs of relationship marketing on seller outcomes

Despite Morgan and Hunt's (1994) recommendation to evaluate alternative paths through which RM may affect performance, most RM research still focuses solely on the positive impact of relationally based mediators (Doney and Cannon 1997; Palmatier et al. 2006). Building on Morgan and Hunt's recommendation, we propose that *relationship marketing activities*—the resources, efforts, and attention that a salesperson devotes to building and maintaining a relationship—affect selling firm performance through two distinct paths. A salesperson's RM can deliver benefits for the buyer that motivate the buyer's trust in the salesperson, but that RM also can impose direct and indirect costs that affect the buyer's evaluation of exchange inefficiency with the salesperson.

We propose that RM's impact on seller performance outcomes gets mediated through both the buyer's trust and the exchange inefficiency and that the nature of that impact is moderated by the buyer's RO (Fig. 1). We examine the effects on three distinct seller performance outcomes: (1) overall *sales performance*, a composite of sales growth, share expansion, and achieving sales goals (Jap and Ganesan 2000); (2) *share of wallet*, the extent to which the selling firm achieves sales penetration with the customer; and (3) *propensity to switch*, or the buyer's reported likelihood of switching suppliers in the future.

We theorize that RM generates positive buyer behavioral responses by increasing buyers' trust. *Buyer trust* reflects the

Conceptual Model of the Effectiveness of Relationship Marketing in Business-to-Business Exchanges

Notes. Normal font = reported by buyer, *italics = reported by salesperson*.
[1] Control variables modeled as antecedents: Relationship duration and interaction frequency.
[2] Control variables modeled as antecedents: Customer size and product offering value.

Figure 1 Conceptual model of the effectiveness of relationship marketing in business-to-business exchanges.

buyer's confidence in the salesperson's reliability and integrity (Crosby Evans and Cowles 1990). Consistent with a large body of research, trust in a salesperson motivates buyer behaviors (e.g., cooperation, loyalty) that result in favorable seller outcomes (Doney and Cannon 1997; Palmatier et al. 2006). Although we hypothesize that trust, on average, affects seller outcomes positively, "closer relationships do not necessarily mean higher performance" (Cannon and Perreault 1999: 454). As Dwyer et al. (1987: 14) posit in their classic article: "It is possible, however, that real or anticipated costs outweigh the benefits of relational exchange. Maintenance of the association requires resources." That is, it requires resources from the buyer, not just the salesperson. Researchers acknowledge that some buyers may dislike RM efforts and prefer a "minimum of hassles," "minimized disturbances," or less "bother" (Boulding et al. 2005; Cao and Gruca 2005; Christy et al. 1996; De Wulf et al. 2001). However, no study specifies the theoretical mechanism associated with such negative responses, measures the negative response, or empirically tests whether such a response undermines seller performance in a tangible way.

Therefore, we conceptualize and operationalize the construct of buyer *exchange inefficiency*, or the buyer's assessment of the time, effort, and resources wasted in the interaction with the salesperson. A low level of exchange inefficiency indicates that the buyer perceives the exchange as appropriate and efficient, given his or her goals. We anticipate that buyer exchange inefficiency negatively affects seller outcomes because it alters the buyer's purchase behaviors (to avoid unwanted costs). We also speculate that exchange inefficiency has an indirect negative effect on seller outcomes through its erosion of buyer trust in the salesperson. When a buyer concludes that his or her time is being wasted in an inefficient exchange, doubts arise regarding whether the salesperson has subordinated the buyer's interests to his or her own interests, which in turn undermines trust in that salesperson. Therefore, buyer exchange inefficiency damages seller outcomes both directly and indirectly through buyer trust. We posit:

> H_3: Buyer trust in the salesperson positively affects seller performance outcomes.
> H_4: Buyer exchange inefficiency negatively affects seller performance outcomes.
> H_5: Buyer exchange inefficiency negatively affects buyer trust in the salesperson.

Relationship orientation's moderating effect on relationship marketing effectiveness

If RM can generate two countervailing mechanisms on performance—buyer trust and exchange inefficiency—an important question then arises: When do the benefits of RM for the buyer exceed the costs that RM imposes on the buyer? Alternatively, what optimal level of RM maximizes the beneficial development of buyer trust without generating excessive exchange inefficiency? We contend that increasing RM activities affect seller performance positively as long as the governance benefits the buyer derives from deeper trust in the salesperson exceed the buyer's costs to build and maintain the buyer–salesperson relationship.

Various studies report that seller RM positively affects buyer trust (Crosby et al. 1990; Palmatier et al. 2006), but we posit that the buyer's RO moderates this main effect. That is, the positive impact of RM on trust gets enhanced as the buyer's RO increases but is mitigated as the buyer's RO decreases. When the buyer's RO is high, the buyer is more likely to reciprocate the salesperson's RM efforts. For example, buyers should respond positively to a salesperson's request for a meeting or information when the buyer wants a strong relationship, compared with if he or she only wants an arm's-length transaction. Two exchange partners who both want a strong relationship experience more closely aligned goals, are more motivated to communicate freely and disclose intimate information, and probably will not initiate conflict. Because similarity in goals, two-way communication, and low levels of conflict build trusting relationships (Palmatier et al. 2006), when RM efforts are directed toward a buyer who desires a strong relationship, all three drivers of trust get enhanced. In aggregate, these mechanisms enhance the effect of RM on the buyer's trust in the salesperson as the buyer's RO increases.

According to transaction cost economics, successful exchanges depend on the interplay of extant conditions and relational governance mechanisms. Exchanges occur in free markets without any relational encumbrances or associated costs, unless there are specific governance needs the market cannot address (John 1984; Noordewier et al. 1990). For example, if a buyer requires greater adaptability to manage its uncertainty, safeguard assets, or monitor performance, a trusting relationship with the salesperson provides a governance benefit, in which case the buyer willingly accepts its associated costs (Rindfleisch and Heide 1997). If the salesperson's relationship-building and maintenance efforts lead to costs beyond the level the buyer deems necessary, the exchange will appear suboptimal and inefficient. When the buyer does not consider relational trust necessary to the success of the exchange, he or she prefers fast, efficient transactions with the lowest cost. But how does RM affect the buyer's costs and perceptions of exchange inefficiency? We propose RM can generate three potential "costs."

First, RM imposes a variety of direct costs on the buyer. At a minimum, the buyer incurs the opportunity costs associated with the face time spent with the salesperson and

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the time and involvement invested in receiving and utilizing RM programs. A buyer with lower RO tends to regard the exchange as more inefficient, because the buyer perceives little need for relational governance, and any time spent building a relationship seems wasted. For example, a buyer with low RO might contact a supplier's central call center for a product sample but then have to endure an extended follow-up visit full of queries, small talk, and relationship-building entreaties from the salesperson dispatched to deliver the sample. This buyer, who perceives no need for a relationally based exchange to acquire this particular product, probably assesses this exchange as inefficient. A highly relationship-oriented buyer would assess the same salesperson efforts as beneficial and an efficient use of time, because the time spent helps build the desired governance structure. Thus, we propose that the buyer's perception of exchange inefficiency depends on his or her RO.

Second, RM creates interpersonal reciprocity obligations for the buyer; even unsolicited gifts can instill a need to reciprocate. An unreciprocated debt can cause the buyer personal discomfort, and the potential repayment of that obligation ultimately entails additional buyer costs. Buyers with low RO may purposefully avoid salespersons who shower them with unwanted benefits; continuing such an exchange when the buyer has no intention to reciprocate the relationship-building efforts can violate his or her norms, appear impolite, and instill a sense of guilt (Cialdini 2001). Buyers with high RO likely perceive the repayment of a reciprocity obligation as a way to deepen the relationship with the salesperson, perhaps by overcompensating and creating a reciprocity debt for the salesperson. Thus, paradoxically, the same underlying psychological processes and reciprocity norms that make relationship-building effective with relationally oriented buyers may motivate buyers with low RO to minimize interactions with salespeople who strive to build relational bonds!

Third, even if the salesperson's RM activities do not directly impose costs on the buyer, the buyer recognizes that those activities entail costs for the seller. Directly or indirectly, the cost of the seller's RM activities get reflected in higher seller prices. For example, frequent mailings or calls impose few direct costs on the buyer, but a buyer with a low need for relational governance may evaluate the salesperson unfavorably in comparison with another that does not "waste" resources on such efforts.

Because "governance structures that have better cost economizing properties will eventually displace those that have worse, ceteris paribus" (Williamson 1981: 574), a buyer with similar levels of trust in two price-competitive alternatives conducts business with the salesperson who burdens that buyer least, that is, the option with the lower exchange inefficiency. Therefore, if the buyer considers relational governance important, the benefits of the rela-

tional exchange outweigh these direct, indirect, and social reciprocity costs. When RO is high, the buyer perceives the seller's RM investments as helpful for building the desired relationship governance structure and regards the exchange as comparatively efficient. For the buyer with low RO, RM results in high exchange inefficiency because the buyer perceives the time and effort consumed by the buyer–salesperson interaction and his or her obligation to reciprocate as hassles, unwanted and unnecessary costs. Thus, we hypothesize:

> H_6: Buyer relationship orientation increases the positive effect of relationship marketing activities on buyer trust.
> H_7: Buyer relationship orientation suppresses the positive effect of relationship marketing activities on exchange inefficiency.

Research methods

We examine industrial buyer–salesperson dyads, a research context well suited for testing our conceptual models because they involve multiple interactions over time and often include RM. Because RO may vary across industries, firms, exchange partners, and products, we choose a context in which the buyer primarily purchases a single product from the salesperson, and each buyer and salesperson represents a unique firm across a wide range of business markets. This structure minimizes potential confounds and enables us to isolate the effects of the antecedents across industry, organization, partner, and product levels.

Sample and dyadic data collection

In four waves at one-week intervals, we mailed a prenotification card, a cover letter and questionnaire, a reminder/thank you postcard, and a second survey packet (to nonrespondents only) to 3,000 Midwestern U.S. industrial buyers drawn from a multi-industry list (random stratified sample from standard industrial classification codes 20–35). We randomly assigned respondents to four groups, each of which received a different cover letter. The questionnaire instructed each buyer to select a specific salesperson from whom he or she purchased predominately within a single product category and who met one of four criteria: (1) the relationship is just beginning to develop, (2) the relationship is just beginning to weaken, (3) a strong relationship with this salesperson is extremely important, or (4) a strong relationship with this salesperson is not very important. This method increases the likelihood of gathering data from dyads with potential relational governance misalignment (criteria 1 and 2) and a range of RO scores

(criteria 3 and 4). We obtained 512 complete buyer questionnaires (<5% missing responses), an effective response rate of 17.5% (69 questionnaires were undeliverable); of these, 327 buyers provided the salesperson's name and telephone number as requested (63.9%). To ensure respondents were knowledgeable, only buyers who were the primary decision makers in purchase decisions with this salesperson were included in the sample.

Next, a telemarketing company made multiple attempts to contact the identified salespeople by telephone and left messages if unable to make direct contact (messages included a toll-free call back number). Salespeople learned of their specific buyer's participation and referral and were asked to complete a short telephone survey. Of the salespeople contacted, 269 completed the questionnaire (<5% missing responses), for a response rate of 82.3%.

We find no significant differences ($p>0.10$) between early and late respondents for either buyers or salespeople (first/last 25%; first/last 33%) across key demographic and study variables (Armstrong and Overton 1977). In addition, we find no significant differences between buyers who provided and those who did not provide salesperson contact information or between the responses from buyers associated with salespersons who did or did not complete the salesperson survey. Nonresponse bias thus does not appear to be a concern.

Our final data set includes 269 buyer–salesperson dyads from 538 companies in diverse industries, including electronics, valves, chemical products, medical supplies, plastics, and office products. Respondents reported that on average, 60.4% (median 75.0%) of their total time with the supplier was spent with the focal salesperson. In addition, an average of 80.9% (median 95.0%) of the total purchases from the supplier came from a single product category, minimizing concerns that our results are confounded by multiple products. Respondents knew the salespersons for an average of 5.0 years, had worked with the firm for 8.1 years, and interacted with this salesperson 9.8 times in a typical month. The average buying firm in the sample had annual sales of $154 million.

Measurement

Whenever possible, we adapted existing measures. All measurement scales reflect the underlying construct and employ seven-point Likert-type scales anchored by "strongly disagree" and "strongly agree," unless otherwise noted (see Appendix for details).

Buyer-reported measures To develop the new five-item buyer *relationship orientation (RO)* scale, we use an iterative, multistep procedure. Because of its critical role in our theoretical models, developing a valid and reliable RO scale represents our paramount concern. From a review of the literature, theoretical considerations, and qualitative interviews, we generated a pool of potential items that seemed to assess the buyer's need to engage in a relationship with a salesperson to purchase a specific product category. We refine and validate this scale in a pretest of 202 industrial buyers.

We measure *industry relational norms* using three items adapted from Heide and John (1992) that assess the value placed on strong buyer–supplier relationships in the industry. Buyer firm *relational–centric reward system,* a new three-item scale, evaluates the degree to which the buying firm's compensation and evaluation systems promote building strong relationships with suppliers. For *salesperson competence*, we use three items adapted from Doney and Cannon (1997) that indicate the buyer's perceptions of the salesperson's expertise, knowledge, and skill in performing his or her job.

Product dependence, measured with three items adapted from Kumar et al. (1995), explores the buyer's need to maintain a relationship with the supplier to achieve his or her goal(s) regarding a specific product. We develop a four-item scale to measure *exchange inefficiency*, as indicated by buyers' reports of the waste or hassle associated with dealing with a salesperson beyond the level necessary to conduct business. *Buyer trust* reflects confidence in an exchange partner's reliability and integrity and comprises three items adapted from De Wulf et al. (2001) that capture the buyer's trust in the salesperson.

Share of wallet, a single, open-ended item, consists of the buyer's report of the percentage of products that he or she could purchase from this supplier that he or she actually purchases. Three items adapted from Morgan and Hunt (1994) measure *propensity to switch*. Finally, the control variables include the buyer's report of the *customer size*, supplier's *product offering value*, *relationship duration* with the salesperson, and the *interaction frequency* between the buyer and salesperson.

Salesperson-reported measures We develop a four-item scale, drawing on the work of De Wulf et al. (2001) and Berry (1995), to measure *relationship marketing activities.* This scale captures the salesperson's effort and investment in building and maintaining a strong relationship with the buyer. To measure the seller's *sales performance*, we use a four-item composite of sales growth, share expansion, and achievement of sales goals (Jap and Ganesan 2000).

Measurement models

We provide the descriptive statistics and correlations in Table 2. The composite reliability for each multi-item construct is greater than 0.70, which demonstrates accept-

Table 2 Descriptive statistics and correlations

Constructs	Mean	Std. De.	AVE.	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.
1. Buyer relationship orientation	4.51	1.15	0.53	0.84													
2. Industry relational norms	5.26	1.04	0.68	0.41**	0.86												
3. Buyer firm relation-centric reward systems	4.03	1.35	0.51	0.42**	0.30**	0.76											
4. Salesperson competence	5.79	1.03	0.58	0.33**	0.13*	0.03	0.80										
5. Product dependence	3.32	1.29	0.48	0.26**	−0.05	0.06	0.00	0.71									
6. Relationship marketing activities	5.97	1.10	0.75	0.24**	−0.05	−0.05	0.12*	0.14*	0.87								
7. Buyer's trust in salesperson	5.87	1.04	0.82	0.28**	0.13*	0.04	0.54**	−0.08	0.20**	0.93							
8. Buyer's exchange inefficiency	2.31	1.16	0.64	0.01	−0.10	0.07	−0.31**	0.13*	0.01	−0.25**	0.84						
9. Sales performance	4.93	1.37	0.62	0.02	0.05	0.02	0.22**	−0.07	0.17**	0.21**	−0.19**	n/a					
10. Share of wallet	61.33	31.10	n/a	0.16*	0.16**	0.04	0.15*	0.07	0.09	0.12	−0.19**	0.15*	0.80				
11. Propensity to switch	1.97	0.94	0.62	−0.25**	−0.14*	−0.10	−0.26**	0.00	−0.16**	−0.33**	0.34**	−027**	−0.28**	n/a			
12. Customer size (million $)	154.34	169.04	n/a	−0.06	−0.05	−0.01	−0.07	0.01	0.05	0.04	0.03	−0.12	−0.13*	−0.00	n/a		
13. Product offering value	5.13	1.27	n/a	0.33**	0.14*	0.18**	0.20**	0.18**	0.09	0.22**	−0.20**	0.13*	0.13*	−0.23**	−0.08	n/a	
14. Relationship duration	5.03	4.41	n/a	0.11	0.14*	0.05	0.18**	−0.06	0.06	0.14*	0.03	0.10	0.03	−0.05	−0.04	−0.03	n/a
15. Interaction frequency	9.76	9.09	n/a	0.24**	0.16**	0.03	0.19**	0.01	0.13*	0.24**	−0.02	0.09	0.04	−0.06	0.02	0.02	0.08

Note: AVE = average variance extracted; n/a = single-item manifest variable. Coefficient alphas are reported along the diagonal. * $p < 0.05$. ** $p < 0.01$.

able internal reliability. We assess two separate confirmatory measurement models. In the first, we test RO and the antecedents of buyer's RO. In the second measurement model, we include relationship marketing activities, buyer's RO, buyer's trust in salesperson, buyer's exchange inefficiency, sales performance, and propensity to switch. In both models, we restrict each scale item to its *a priori* factor and ensure that each factor may correlate with all other factors. The measurement fit indices for the first model are as follows: $\chi^2_{(107)} = 191.31$ ($p<0.01$), comparative fit index (CFI)=0.95, Tucker-Lewis index (TLI)=0.94, and root mean square of approximation (RSMEA)=0.05. The measurement fit indices for the second model are $\chi^2_{(212)} = 273.41$ ($p<0.01$), CFI=0.98, TLI=0.98, and RSMEA=0.03. Collectively, these findings indicate that the measurement models acceptably fit the data (Byrne 1998). All loadings are significant and in the predicted direction ($p<0.001$), in support of convergent validity (see the Appendix).

For each pair of latent constructs, we compare two models: one in which the correlation between the constructs is free and another in which it is fixed to 1. In each case, the χ^2 statistic is significantly lower ($p<0.05$) in the unconstrained model than in the constrained model (Bagozzi and Phillips 1982). Correlations between all reflective measures are significantly less than 1, and the average variance extracted by each latent construct is greater than its shared variance with other constructs (Fornell and Larcker 1981), in support of discriminant validity. For many of the hypothesized causal paths, we draw antecedents and consequences from different sources (e.g., the effect of salesperson-reported RM on buyer-reported exchange inefficiency), which reduces concerns about common method bias.

Results

We test two structural models using AMOS 5.0 structural path modeling with a maximum likelihood criterion. First, we assess the impact of the factors promoting relational governance on the buyer's RO (i.e., H$_1$ and H$_2$). This model provides acceptable structural fit indices: $\chi^2_{(131)} = 222.15$ ($p<0.01$); CFI=0.95, TLI=0.94, and RSMEA=0.05. Second, we test the impact of RM activities on seller performance outcomes, mediated by both buyer's trust in the salesperson and exchange inefficiency. This model also suggests an acceptable fit: $\chi^2_{(204)} = 308.04$ ($p<0.01$); CFI=0.97, TLI=0.96, and RSMEA=0.04.

Results: main effects

All theorized antecedents of buyer's RO are statistically significant (see Table 3). The stable factors, industry relational norms ($\beta_{1a}=0.27$, $p<0.01$) and buyer firm rela-

tional–centric reward systems ($\beta_{1b}=0.37$, $p<0.01$), which promote the need for relational governance, positively affect buyer RO, in support of H$_1$. The exchange-specific factors of salesperson competence ($\beta_{2a}=0.31$, $p<0.01$) and product dependence ($\beta_{2b}=0.30$, $p<0.01$) also increase buyer RO, in support of H$_2$. The control variable of product offering value positively affects buyer RO ($\beta=0.12$, $p<0.05$).

Next, we examine the impact of RM on three seller performance outcomes through the mediating mechanism of the buyer's trust (a benefit of RM) and the buyer's exchange inefficiency (a cost of RM). Buyer trust has a positive effect on sales performance ($\beta_{3a}=0.19$, $p<0.01$) and a negative effect on propensity to switch ($\beta_{3c}=-0.29$, $p<0.01$) but no impact on customer share. Buyer exchange inefficiency leads to lower sales performance ($\beta_{4a}=-0.15$, $p<0.05$), lower customer share ($\beta_{4b}=-0.16$, $p<0.01$), and greater propensity to switch ($\beta_{4c}=0.28$, $p<0.01$). We thus find support for H$_3$ with regard to two of the three seller outcomes and full support for H$_4$. As we hypothesized in H$_5$, buyer exchange inefficiency negatively affects buyer trust ($\beta_5=-0.25$, $p<0.01$). Relationship marketing activities positively affect buyer trust ($\beta_6=0.18$, $p<0.01$) but are not significantly related to exchange inefficiency ($\beta_7=-0.01$). However, these main effects can be interpreted only in light of moderation tests, which we report next. The control variables of relationship duration ($\beta=0.12$, $p<0.05$) and interaction frequency ($\beta=0.20$, $p<0.01$) relate positively to buyer trust, but we find no significant relationships with exchange inefficiency.

We also examine if buyer trust and exchange inefficiency mediate the impact of relational antecedents on seller performance outcomes by comparing two nested models: our hypothesized full-mediation model in which the impact of all antecedents on seller outcomes is fully mediated versus a partial mediation model (Brown et al. 2002). The additional direct paths fail to improve the fit $\left(\Delta\chi^2_{(9)} = 14.4, \text{n.s}\right)$, in support of our proposed model.

Results: moderating effects

To test the hypothesized interactions, we use a median split to form two subgroups, one with higher buyer RO (135 dyads) and the other with lower buyer RO (134 dyads). We test each moderating hypothesis by comparing a constrained model, in which we restrict all hypothesized paths to be equal across the high and low buyer RO groups, with a free model, in which the paths may vary. If the χ^2 of the free model is significantly lower than that of the constrained model and the direction of the moderation matches our prediction, we obtain support for the hypothesis (De Wulf et al. 2001; Palmatier et al. 2007).

Our hypothesis that buyer RO moderates the positive effect of RM on buyer trust (H$_6$) is fully supported (see

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Table 3 Result: Hypothesized main effects

Hypothesized path	Standardized path coefficient	t-value	Hypothesis
Effects of antecedents → Buyer's Relationship Orientation (RO)			
Industry relational norms → Buyer's RO	0.27	4.07**	H_{1a}
Buyer firm relational-centric rewards systems → Buyer's RO	0.37	5.00**	H_{1b}
Salesperson competence → Buyer's RO	0.31	4.86**	H_{2a}
Product dependence → Buyer's RO	.30	4.21**	H_{2b}
Customer size → Buyer's RO	−0.04	−0.82	n/a
Product offering value → Buyer's RO	0.12	2.07*	n/a
R^2 (Buyer's relationship orientation)	.59		
Effects of relationship marketing → Buyer's trust and exchange inefficiency → Seller outcomes			
Buyer's trust in salesperson → Seller outcomes			
Buyer's trust in salesperson → Sales performance	0.19	2.82**	H_{3a}
Buyer's trust in salesperson → Share of wallet	0.08	1.20	H_{3b}
Buyer's trust in salesperson → Propensity to switch	−0.29	−4.24**	H_{3c}
Buyer exchange inefficiency → Seller outcomes			
Buyer's exchange inefficiency → Sales performance	−0.15	−2.24*	H_{4a}
Buyer's exchange inefficiency → Share of wallet	−0.16	−2.39**	H_{4b}
Buyer's exchange inefficiency → Propensity to switch	0.28	4.02**	H_{4c}
Buyer's exchange inefficiency → Buyer's trust in salesperson	−0.25	−3.96**	H_5
Relationship marketing activities → Buyer's trust in salesperson	0.18	2.95**	Interaction
Relationship marketing activities → Buyer's exchange inefficiency	−0.01	−0.09	Interaction
Relationship duration → Buyer's trust in salesperson	0.12	2.08*	n/a
Relationship duration → Buyer's exchange inefficiency	0.03	0.38	n/a
Interaction frequency → Buyer's trust in salesperson	0.20	3.37**	n/a
Interaction frequency → Buyer's exchange inefficiency	−0.04	−0.68	n/a
Control variables → Seller outcomes			
Customer size → Sales performance	−0.11	−1.86*	n/a
Customer size → Share of wallet	−0.12	−2.05*	n/a
Customer size → Propensity to switch	0.01	0.10	n/a
Product offering value → Sales performance	0.06	0.96	n/a
Product offering value → Share of wallet	0.08	1.28	n/a
Product offering value → Propensity to switch	−0.10	−1.76*	n/a
R2 (Sales performance)	0.09		
R2 (Share of wallet)	0.06		
R2 (Propensity to switch)	0.22		

* $p < 0.05$; ** $p < 0.01$.

Fig. 2). Relationship marketing activities have a direct positive effect on relational trust in the overall sample, and high and low buyer RO groups differ significantly ($\Delta\chi^2_{(1)} = 6.7$, $p < 0.01$); that is, RM has a more positive effect on buyers with high RO ($\beta = 0.31$, $p < 0.01$) than on those with low RO ($\beta = 0.08$, n.s.). Evidence also supports our hypothesis that buyer RO moderates the effect of RM on exchange inefficiency (H_7); its effect differs significantly and dramatically across the high and low buyer RO groups ($\Delta\chi^2_{(1)} = 8.3$, $p < 0.01$). Specifically, RM has a significant positive effect on exchange inefficiency when buyers have low RO ($\beta = 0.24$, $p < 0.01$) but a significant negative effect on exchange inefficiency among those buyers with high RO ($\beta = -0.20$, $p < 0.05$). When buyers have a high RO and need a strong relational governance structure, they perceive exchanges as more efficient when the sellers invest in relationship-building efforts. We confirm these interaction

Moderation of Relationship Marketing Effects on Trust and Exchange Inefficiency
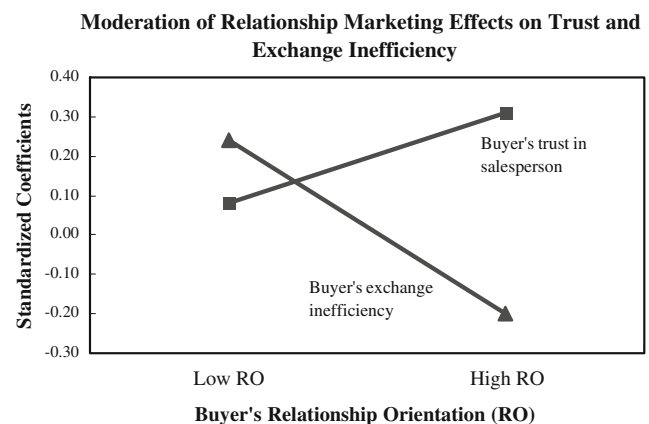
Figure 2 Moderation of relationship marketing effects on trust and exchange inefficiency.

effects using regression analysis and find support for the same hypotheses.

Discussion

Relationship marketing does not always pay off and may even undermine relationships in certain cases (Cao and Gruca 2005; Colgate and Danaher 2000; Dowling and Uncles 1997). Various studies suggest that alignment with customer needs drives seller performance more than does pursuing ever closer customer–seller relationships. As Cannon and Perreault (1999: 456) observe post hoc, "if relationships meet customer needs, they are likely to endure, no matter how closely connected," and "closer relationships do not necessarily mean higher performance" (454). Noordewier et al. (1990: 91) report that "buying firms can realize enhanced performance by crafting an 'appropriate' governance structure," and Reinartz and Kumar (2000) acknowledge that transactional customers can be just as profitable as long-term relational customers. Despite these observations, extant literature offers limited guidance for identifying the conditions in which reducing RM may be the best option. We therefore offer a priori a theoretical model that provides a mechanism to identify a buyer's need for relational governance, explains how the buyer's need for relational governance determines whether greater seller RM will result in positive versus negative outcomes, and predicts which buyers will respond more positively to lower levels of RM versus greater relationship-building efforts.

Relationship orientation and its antecedents

We conceptualize, operationalize, and demonstrate the critical importance of a buyer's overall RO in determining whether a given level of RM will be effective or counterproductive. We thereby extend previous research by revealing the critical importance of understanding how *both* stable and exchange-specific factors influence a buyer's relational governance needs and, therefore, the seller's RM effectiveness. Relationship orientation offers proximal information about a party's receptivity to RM efforts and that party's need—or lack thereof—for a relational governance structure.

Although we focus on the individual level, this new RO construct can apply to any specific partner in an exchange dyad. The nature of the decision-making unit and the other constructs of interest dictate the appropriate level of analysis. Relationship orientation could be operationalized at the individual, group, or firm level by modifying our measurement scales to emphasize the appropriate dyadic referents and gathering data from the appropriate respondents (i.e., individual decisions or constructs) or informants (i.e., group- or firm-level decisions or constructs). The

exact set of relevant stable and exchange-specific factors that promote relational governance may vary across decision-making units and contexts.

Because of our interest in buyer responses to RM, we operationalize RO at the buyer level and examine a wide range of relationship-promoting factors, including both relatively stable industry and company characteristics and exchange-specific salesperson and product characteristics. These antecedents capture 59% of the variance in buyer RO and indicate that diverse factors at multiple levels can affect the buyer's RO. Our post hoc analysis also suggests that stable factors (industry relational norms and relational–centric reward systems) explain approximately 54% of the captured variance in RO in our sample, whereas 46% is due to exchange-specific factors (salesperson competence and product dependence). Thus, our findings support the premise that buyers develop a holistic need for relational governance from a wide range of stable and exchange-specific characteristics. Our findings reinforce the importance of investigating RO at the most proximal and appropriate decision-making level and indicate that some drivers of individual RO may be isolated only at the interpersonal dyadic level of analysis. Segmentation and targeting efforts in general may benefit from greater considerations of exchange-specific factors (e.g., product).

Relational governance's benefits and costs to optimize relationship marketing

Morgan and Hunt's (1994) model of RM focuses only on relational mediators and thus cannot explain negative effects. Although relationship-building activities may not always stimulate greater trust and commitment, they are unlikely to generate distrust or undermine commitment. Thus, Morgan and Hunt (1994: 32) recommend an evaluation of alternative or "extended" key mediating models; we address their suggestion by adding an alternative mediated pathway through exchange inefficiency that offers insight into the negative effects of RM efforts.

Our model (Fig. 1) integrates both benefit and cost perspectives, and our results demonstrate that RM's effect on seller outcomes gets mediated by both buyer trust and buyer perceptions of exchange inefficiency. Because we examine three diverse seller performance outcomes, common method, respondent, measure, or format biases cannot provide viable alternative explanations for our findings.

Exchange inefficiency is particularly problematic, because it not only negatively affects seller outcomes directly but also undermines them by eroding buyer trust. However, the converse of exchange inefficiency is exchange efficiency, which provides another pathway through which RM may positively influence seller performance. Our findings support previous researchers' contentions that RM efforts generate

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efficiency-enhancing or cost-reducing benefits for customers (Berry 1995; Gwinner et al. 1998). Our identification, conceptualization, measurement, and demonstration of the importance of exchange inefficiency and efficiency thus advances understanding of marketing relationships.

Our model of relational exchange demonstrates the critical importance of integrating RO into empirical studies of marketing relationships because it offers insight into the optimal level of RM to be directed to specific customers. Matching RM efforts to the customer's relationship governance requirements balances the flexibility, monitoring, and safeguarding benefits of relationally based exchanges with the added costs of building and maintaining those relationships. Relationship marketing effectively builds relationships when buyers have higher RO, because for them, it enhances trust and simultaneously leads them to perceive exchange efficiency, which further improves relational trust and, ultimately, seller performance.

The crossover interaction between RM and RO on exchange inefficiency is especially significant (Fig. 2). Relationship marketing aimed at buyers with low RO may have a small positive direct impact on buyer trust, but the simultaneous exchange inefficiency generated outweighs that positive effect. If directed toward buyers with low RO, RM can create exchange inefficiency, which undermines trust and negatively affects all three seller outcomes. Our model thus explains, at least in part, why and how RM can have a negative impact when directed toward transaction-oriented buyers.

Managerial implications

Several trends make it even more critical for sellers to understand a customer's RO. Cost-reducing and productivity-enhancing efforts have minimized customers' time to meet with sellers; simultaneously, more sellers are implementing relationship-building strategies. Thus, customers are less likely to accept unwanted or time-wasting RM efforts. Managers can increase returns on their investments by implementing RM in a more strategically targeted manner at the individual customer level (i.e., one-to-one marketing). Moreover, they might be well advised to expand data collection efforts to include a customer's assessment of exchange inefficiency and RO, which would lead to greater understanding of how the seller's relationship-building efforts influence the customer's benefits and costs. This knowledge would enable managers to calibrate the most effective level of RM, better allocate their scarce RM resources, and increase the probability of deploying such resources to customers for whom they will be most effective.

Providing insight into the antecedents of a customer's RO enables sellers to scan, estimate, or directly measure relationship-promoting characteristics (e.g., industry norms, expected customer product dependence) that in turn shed

light on which types of segments likely will respond to relationship-building efforts. This proactive approach to segmentation based on the customer's RO could offer better insights than segmentation that relies solely on a customer's past behavior (Boulding et al. 2005; Cao and Gruca 2005). A post hoc analysis reveals that buyers with lower RO in our sample (bottom 50%) would shift 21% of their business "to another supplier with similar products if the transactions were completely automated (i.e., if no salesperson was involved)." These buyers' past patronage hardly predicts their future behavior. This finding suggests that sellers could save substantial expenses, better serve some buyers, and solicit competitors' customers by accurately detecting those with low RO and offering them the option of an arm's-length interaction, such as an electronic interface.

The salesperson respondents in our study also report on returns on their RM efforts in their responses to the following item: "My relationship-building efforts with this buyer have generated excellent returns." Post hoc tests reveal that salespeople report no difference for the largest 25% versus the smallest 25% of their customers, a typical criterion used to target RM efforts ($\overline{X}_{\text{large customers}} = 5.69$ vs. $\overline{X}_{\text{small customers}} = 5.64$; $t=0.23$; n.s.). In contrast, they report that the return on their RM is higher for RM directed toward buyers with the highest self-reported RO (top 25%) than for RM directed toward the buyers with the lowest self-reported RO (bottom 25%) ($\overline{X}_{\text{high RO}} = 5.70$ vs. $\overline{X}_{\text{low RO}} = 5.26$; $t=2.24$; $p<0.05$). Therefore, returns on RM investments might improve if sellers were able to target customers on the basis of their RO rather than their size.

Sellers should be wary of instituting organizational policies or procedures that blindly promote relationship building. Training or compensation systems that indiscriminately motivate salespeople to engage in intensive relationship-building efforts may alienate a significant percentage of customers. However, a corporate relationship orientation (Day 2000) may generate sustainable competitive advantage if the vast majority of the firm's customer base exhibits high RO. If the firm has a portfolio of customers distributed evenly across the RO spectrum, a corporate emphasis on building customer relationships leads to unnecessary expenses and relational governance misalignment with many customers.

The relative effects of the different antecedents of buyer RO also reveal some useful information. The buyer's perception of relational–centric rewards has the greatest standardized coefficient ($\beta=0.37$) of all antecedents, which emphasizes the importance of understanding how the firm's reward structure motivates key boundary spanners. The positive effect of product dependence on buyer RO also suggests that firms with products that differ on this dimension, such as a mixture of commodity and proprietary products, may require different sales formats or RM efforts. A customer's desire for relational

governance may diminish along a predictable lifecycle as the products mature, the customer becomes more familiar with the product, or the product takes on commodity status. Similarly, salespersons should monitor customers who are in a position of dependence, given that they may seek alternative, offsetting relationships to balance such a position (Heide and John 1988).

Furthermore, RO might indicate a relationship's direction. For example, an investigation that measures RO early in a relationship and then again at a later point in time could reveal evidence that relational governance-promoting factors start to erode. The associated decline in the customer's RO may provide a sensitive leading indicator of the ultimate fate of that relationship. If the customer's dependence on the product rapidly drops (e.g., when a new generic competitor enters the market), his or her RO should also drop, so the need for a relational governance structure, and its associated costs, shifts. Prior to this event, the customer may have spent time and effort to maintain the relationship and manage its dependence, but subsequent to it, the customer may desire a less time-consuming, more efficient interaction.

Limitations and directions for further research

Although we draw our data from professional buyers and salespeople across multiple industries, all respondents are located in the United States and engage mostly in product- (not service-) based transactions. Thus, our model cannot be generalized to consumer markets, service industries, or other cultures without additional testing. The cross-sectional nature of our data also limits causal inferences. Although we reduce concerns about common method variance by using dyadic data, testing moderation hypotheses, and conducting post hoc tests, particular care should be taken when comparing path coefficients between variables provided by the same source with those between variables provided by different sources, which typically will be smaller. The relatively low R^2 across the three seller outcome variables (average=0.12) suggests other significant drivers of seller performance beyond RM, trust, and exchange inefficiency. Additional research should investigate such key performance drivers (e.g., economic, industry, pricing, competitive factors).

Our empirical study tests the relationships between individual buyers and salespeople. Although we expect our model to generalize to interfirm relationships in similar contexts, additional research is needed to examine it at the customer firm–seller firm level. We operationalize the buyer's RO toward a specific salesperson (consistent with our empirical focus), but our scales could be adapted easily to customer–seller interfirm relationships by changing the focal referent to the selling firm and emphasizing the relationship with "our firm."

Researchers also could investigate how a customer's or buying firm's RO varies over the lifecycle of an exchange interaction. If a customer's need for relational governance follows a relational lifecycle, a relationship-building window or opportunity may exist at a point at which customer RO peaks and RM can generate the highest returns. Determining this window could offer marketers insights into how to allocate their relationship-building resources across a portfolio of customer relationships at various lifecycle stages. If RM is fundamentally reshaping marketing (Narayandas and Rangan 2004; Webster 1992), RO may serve as a indicator that triggers the initiation and termination of intensive RM efforts.

Further research should investigate other drivers of exchange inefficiency as well. For example, are certain types of RM programs more likely to result in exchange inefficiencies? Can programs be designed to build strong relationships and still minimize customer perceived exchange inefficiency? Interpersonal RM may be especially prone to generating inefficiencies for customers with low RO, because it prompts a reciprocity-based interpersonal obligation to respond; therefore, electronic or more impersonal RM may be more effective with these customers. Understanding how the customer's time and costs vary across different interfaces may help researchers and sellers appreciate the cost-benefit trade-offs of relational versus transactional formats. Extant research focuses mostly on the benefits and costs of RM for the seller; more effort is needed to investigate the benefits and costs for the *customer* (Berry 1995; Gwinner et al. 1998) and examine other low-intensity forms of customer interactions.

One potential explanation for the desire of low RO buyers to avoid interpersonal relationships may be that norms of reciprocity make such interactions costly compared with the tangible benefits received. A buyer, out of courtesy or reciprocity, might permit a salesperson to visit, deliver unwanted RM benefits, and perform what that buyer considers insignificant services. If so, both buyer and salesperson incur unnecessary costs without any accompanying relational benefit. Rather than enduring unwanted, intensive, relationship-building efforts, the buyer may seek a less demanding interaction with a competitor. For example, one buyer we interviewed commented that when he is busy, he actually tries to avoid a specific salesperson with whom he has a good relationship because he does not have the time to deal with him. This unexplored dark side of strong interpersonal relationships in business-to-business interactions is worthy of further study.

Appendix

Table 4 Measurement items and factor loadings

Construct	Factor loadings
Buyer reported	
Buyer relationship orientation (Buyer RO)	
This business transaction requires a close relationship between me and this salesperson to ensure its success	0.72/0.68
A close relationship with this salesperson is important to my success	0.76/0.75
A strong relationship with this salesperson would be very helpful in buying this product	0.75/0.82
I **don't** need a close relationship with this salesperson to successfully buy this product (Reverse)	0.56/0.51
I believe that a strong relationship with this salesperson is needed to successfully buy this product	0.78/0.82
Industry relational norms	
Buyer–supplier relationships are highly valued in our industry	0.75
Most firms in our industry try to build strong buyer–supplier relationships	0.90
Building strong buyer–supplier relationship is the norm in our industry	0.82
Buyer firm relation–centric reward systems	
Strong relationships with my suppliers would lead to improvement in my performance evaluation and compensation	0.76
My firm's evaluation and compensation programs support building supplier relationships	0.66
My performance evaluation is partially based on the effectiveness of my relationships with suppliers	0.72
Salesperson competence	
This salesperson is very knowledgeable	0.86
This salesperson is not an expert (Reverse)	0.67
This salesperson knows his/her product line very well	0.82
Product dependence	
There are many other suppliers who could provide me with a similar product (Reverse)	0.57
It would be expensive in time and costs to switch to a different supplier for this product	0.75
It would be difficult for me to buy this product from a different supplier	0.72
Buyer's exchange inefficiency	
I feel that time is wasted when dealing with this salesperson	0.89
I feel hassled or annoyed by my salesperson's relationship building efforts	0.82
I feel that my interactions with this salesperson are inefficient	0.78
My business dealings with this salesperson are very efficient (Reverse)	0.68
Buyer's trust in salesperson	
I have trust in this salesperson.	0.89
I have confidence in this salesperson's integrity and reliability.	0.89
This salesperson is trustworthy.	0.93
Share of wallet (measured in %)	
Of all the potential products you could purchase from this supplier, what % do you currently buy from this supplier?	n/a
Propensity to switch	
I plan to do less business with this supplier over the next few years	0.95
I think it is likely that I will terminate the relationship with this supplier over the next few years	0.80
For my next purchase of this product, I will consider this supplier as my first choice (Reverse)	0.56
Customer size (million $)	
What is the approximate annual sales of your company?	n/a
Product offering value	
This supplier's product offers much better value (performance for the price) than its competitors	n/a
Relationship duration (years)	
About how long have you know this salesperson?	n/a
Interaction frequency (times per month)	
About how many times did you interact with this salesperson in the past month?	n/a
Salesperson reported	
Relationship marketing activities	
I work hard to strengthen this buyer's relationship with me	0.82
I focus attention on building and maintaining my relationship with this buyer	0.86
I make significant investments in building a strong relationship with this buyer	0.88
I devote considerable time and effort to my relationship with this buyer	0.91

Table 4 (continued)

Construct	Factor loadings
Sales performance	
My firm's share of business with this buyer is expanding	0.73
The number of different products this buyer purchased from my company increased last year	0.80
I am meeting my sales goals with this buyer	0.72
The sales to this buyer are growing faster than the overall sales of my company	0.88

All items were measured using seven-point scales anchored by 1 = "strongly disagree" and 7 = "strongly agree" unless otherwise indicated; n/a refers to factor loadings for single-item variables.

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