Customer Attraction and its Purchasing Potential

Working paper submission for the 22nd IMP Conference in Milan, Italy

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Abstract

Attraction is a central concept in the social psychology/exchange literature. Attraction explains how social relationships initiate, endure and develop. The literature on buyer-supplier relationships has been inspired by social psychology/exchange, adopting concepts such as trust and commitment, but overlooking the concept of attractiveness. In this conceptual paper we argue for the inclusion of attraction in purchasing discourse. We demonstrate the relevance of attractiveness by linking it to trust/commitment and value – key concepts in the relationship literature. We find that attraction is a vital prerequisite for developing trust and commitment, both initially and in the continuing relationship. Further, attraction enlarges and complements the concept of value by emphasizing the social elements of exchange in buyer-supplier relationships.

Key words: Attraction, trust, commitment, value

Introduction

The social nature of industrial buyer-supplier relations is unmistakable. Purchasers and buyers, as well as other employees working at the boundaries of the firm, engage in social interaction with various employees in various organizations. Exchange of offerings for money and other valuable means is accompanied and facilitated by social interaction (Granovetter 1992). Consequently, social interaction has risen to become a major subject of study in the academic field of purchasing and selling (Håkansson 1982). Social concepts such as trust and commitment have been treated extensively in the literature (e.g. Morgan and Hunt 1984). These concepts are valuable because they serve to increase the understanding of buyer-supplier exchange, and have the potential to explain why some buyer-supplier relations are more successful than others. Despite the focus on social aspects of interaction, it appears that our understanding of social interaction between buyers and suppliers can still be enriched (Cousins 2002, Harris, O'malley and Patterson 2003). The potential of social psychology and exchange theory has been acknowledged by leading researchers of buyer-supplier relationships (Håkansson & Snehota 2002, Dwyer, Schurr, & Oh 1987).

One construct is attractiveness. Attractiveness has been a key concept in studies of social relationships, but has received little, if not insignificant attention in the relationship literature (for an exception, see Freytag et al. 2005). The relationship literature has not dealt explicitly with the concept of attractiveness, but the need for attractiveness is indicated in various parts of the literature. For instance, attractiveness seems to form an inherent part of supplier development. Supplier development involves various activities aimed at improving supplier capabilities to meet the buyer's needs (Handfield et al. 2000). This definition pinpoints two central issues in supplier development, where attractiveness could be a helpful concept. First the buyer must not only facilitate the improvement activities, but also prepare or cultivate the supplier to actively dedicate resources to this task. Galt and Dale (1991) write: "...a buyer must make it attractive for a supplier to do business with his or her firm". Second the supplier needs to develop towards the specific needs of the customer company, not just any generalized needs or the needs of any other customers. Another attractiveness related concept is Reverse Marketing (Leenders & Blenkhorn 1988). Reverse Marketing sees the purchaser as the active, progressive part, driving the relationship to suppliers. The company is marketed to suppliers, with the purpose of developing long-term relationships. Studying the relations between small Danish suppliers and their larger international customer, Christiansen and Maltz (2002) demonstrate the need for becoming an "interesting customer" in order to secure satisfactory performance from these suppliers. When companies cannot manage supplier relationships by fiat due to the limited business they offer, they have to become interesting (or attractive) customers instead, in order to influence suppliers (Christiansen & Maltz 2000). Ellegaard's study of influence processes in relationships between the Danish company Danfoss Drives and a number of its key suppliers offers some insight into the concept of attractiveness (Ellegaard 2003). Overall the relevance of attractiveness is indicated in various parts of the literature, but thorough investigations of attraction in buyer-supplier relationships seem to be lacking.

In this conceptual paper, the potential of attractiveness as a valuable relationship concept is explored explicitly. Hereby, we deliberately direct our focus on customer attractiveness, i.e. the attractiveness of a customer for a supplier. After discussing the basic concept of attraction, this paper attempts to demonstrate the relevance and utility of attraction to the field of inter-organizational relationships. It establishes a link between attraction and the already established concepts trust/commitment and value. Demonstrating that attraction has explanatory value in connection to these concepts, we make the first attempt at giving attraction a life of its own in the relationship literature, by formulating a set of propositions. In this process we draw on the social psychology/exchange literature.

The Concept of Attraction

Attraction is the noun to the verb attract, which basically means "to cause interest or pleasure and to pull someone towards you by the qualities you have, especially positive and admirable ones" (Cambridge Dictionaries). The basic argument is that by introducing and expanding the knowledge of this concept, purchasers and buyers can understand buyer-supplier interaction better and hereby potentially increase their attraction (if wanted). Social attraction is and has been one of the most dominant concepts in the social psychology and social exchange literatures. Social exchange was pioneered by George Homans in the 1950s and came to life as an offspring of social psychology and sociology (Lambe, Wittmann, & Spekman 2001).

Social exchange is specifically concerned with interdependencies between social actors (Thibaut & Kelley 1959). "Exchange theory... dissects social interaction to discern how each participant's past and anticipated rewards reciprocally influence their choices and conduct and the emerging social relations" (Blau 1964). Social exchange emphasizes the rewards and costs individuals gain through interaction, and the effects of these cost/reward outcomes on the relationship. The importance of activities, not just social behavior per se, is central to social exchange (Homans 1961). Therefore social exchange is particularly interesting to the study of buyer-supplier relationships, where resource and activity exchange forms an inherent part of the interaction. Social exchange can inform the relationship field, by increasing the understanding of the interplay between social and economic aspects of interaction. The "parent" of social exchange, social psychology represents a vast scientific field and focuses almost entirely on non-business interpersonal interaction processes. Social psychology researchers inquire into interpersonal influence processes (Tedeschi & Lindskold 1976) (Cialdini 2001). Still the rich behavioral knowledge generated by these studies is a valuable to researchers of businesses relationships (Staw 2003), including purchasing academics. To date a number of researchers within the industrial marketing and purchasing field have benefited from the utilization of social exchange theory and to a lesser extend social psychology (Håkansson & Snehota 2002, Easton 2002, Lambe, Wittmann, & Spekman 2001).

As described above the basic meaning of attracting is to cause interest or pleasure or to pull someone toward you. Looking into the etymology of attraction, it is evident that the term originates in medicine and the natural sciences. For instance, attraction can be defined as "the force by which one object attracts another" (http://www.etymonline.com). This definition reveals a purely physical conception of attraction, describing for instance how one magnet attracts another. More recently, the concept has been adopted by the social sciences. The sociological conception applies to interpersonal attraction, rather than attraction between physical objects and therefore assumes more complex dimensions. Whereas attraction between magnets is a relatively physical phenomenon on which normative conclusions can be built, attraction between humans attains a more complex and qualitative nature. Perhaps the definition of attraction as "the quality of arousing interest" (http://wordnet.princeton.edu) fits better with the scope of this paper. Framing attraction as a quality also stresses the partly voluntaristic nature of social attraction. Actors can actually consciously work to change their attractiveness and the way they are effected by the attractiveness of others.

Turning to social psychology/exchange theory, social attraction is defined as "the force that induces human beings to establish social associations on their own initiative and to expand the scope of their associations once they have been formed" (Blau 1964). Attention is a key variable in this process. Actors face a large social environment, consisting of a multitude of individuals, with whom a relationship can be initiated (Berscheid & Graziano 1979). Potential relational partners capable of attracting attention will stimulate the "perceptual-cognitive machinery" of these actors, laying the grounds for relationship initiation and enduring interaction. Individuals who are attracted to other individuals focus on proving themselves attractive to those other individuals (Blau 1964, Tedeschi & Lindskold 1976, Homans 1961, Thibaut & Kelley 1959). Hence the subjects to attraction are not only willing to interact in social relationships, but they are also willing to increase their own attractiveness, in other words maximize the benefits they bring to the relationship for the other party.

Concluding on the above, one's attraction is seen by the other side and thus belongs to the "eye of the beholder". However, a firm can work on its attraction in order to improve (or decrease) its attraction potential. Attraction can be understood as the value (mainly rational) and the excitement (mainly irrational) of the other party.

In this paper we will justify the potential inclusion of attractiveness in the relationship discourse by connecting it to related variables, which have already been established as key purchasing concepts. By drawing a clear line from attraction to well-known relationship constructs we will illuminate the importance of attraction and argue for its inclusion in the existing pool of relational constructs.

Attraction and Trust/Commitment

Trust and commitment are well established constructs in the literature on industrial buyer-supplier relationships. A common definition views trust as existing when "one party has confidence in an exchange

partners reliability and integrity" (Morgan and Hunt 1994). The same seminal paper defines commitment as "an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it" (Morgan and Hunt 1994). It should be noted that disagreement exists regarding the exact definition of both concepts (Blois 1999, Wong & Sohal 2002). However, the discussion of trust/commitment definitions lies outside the confines of this paper. Trust and commitment are closely connected, usually modeled with trust causing commitment (Morgan and Hunt 1994, Dwyer, Schurr and Oh 1987, Rodriguez and Wilson 2002). More uncertain is the process preceding trust as well as the antecedents of trust (de Ruyter, Moorman and Lemmink 2001). Authors seem to agree that trusting and committed relationships are good for business, but tend to devote little interest to how these close relationships come into existence, maintain and develop. Also, building trust and commitment is a complex relational and timely process that needs increased investigative efforts (Morgan and Hunt 1994, Harris, O'malley and Patterson 2003, Blois 1999).

Dwyer, Schurr and Oh's (1987) paper on the development of buyer-seller relationships actually incorporates attraction as an important early variable preceding trust and commitment. The article is highly influenced by social exchange theorists, in particular Thibaut, Kelley and Scanzoni. Their phase model, which is an extension of Scanzoni's (1979) original three phase model and Ford's (1980) four phase model, spans five phases. The first is an awareness phase, where the parties become aware of each other. Attraction enters the explorative second phase, in which partners consider obligations, benefits, burdens and the possibility of exchange. Attraction, in terms of the costs-rewards outcome of the potential relationship is evaluated by both parties. Positive cost-reward outcomes are required for both parties to initiate the relationship. In the initiated relationship the parties soon come to demonstrate their trustworthiness, through exchange activities. This interactive process over time evolves into a trusting relationship. The relationship continues to evolve in the third phase - expansion. In this phase attraction increases and further levels of trust are reached. Eventually the two parties become committed to the relationship. Commitment is the fourth phase in the process model. The committed parties have a strong belief in the endurance of the relationship. This belief means that the parties abstain from testing the relationship constantly, for instance through engaging with alternative parties. The model of Dwyer, Schurr and Oh emphasizes attraction as a necessary precondition for trust and commitment. The authors hereby accentuate the importance of attraction as a key relational construct.

Proposition 1: Attraction is a prerequisite for developing relational trust and commitment.

Dwyer, Schurr and Oh's inclusion of attraction as a key variable is supported by Halinen (1996) and Harris, O'Malley and Patterson (2003). Both contributions are highly influenced by social exchange theory. While Halinen provides limited information as to the exact connection between attraction, trust and commitment, the latter authors model attraction as the direct cause of trust and commitment. Both contributions argue that attraction plays an important role not only initially, but also on a continuous basis. "Attraction judgments are made on a continuous basis and will determine the nature of the relationship as it progresses" (Harris, O'malley and Patterson 2003). As interaction unfolds the parties gain knowledge on interaction, which causes perceptions of attraction to change. It may be the interaction itself that causes a change or the change may occur as a result of increased information about the other party. Over time the authors indicate that trust and commitment could erode due to lack of attraction. Certain levels of attraction may be required for relational commitment to persist or grow. Attraction cannot be taken for granted, even in highly committed relationships. Furthermore, attraction is required in order to defend the relationship against third parties (Halinen 1996). Attraction retains the attention of the other party and secures commitment. Thibaut and Kelley operate the standard CLalt (Comparison Level of alternatives), which is a measure of the value of alternative exchange partners and determines the willingness to continue the relationship in the presence of alternatives (Thibaut & Kelley 1959).

Proposition 2: Attractiveness is relevant throughout a relationship not only in initial stages.

Based on data on advertising agency-client relationships, Halinen (1996) argues that attraction is not just caused by present cost-reward considerations. Attraction has a future orientation. Expectations come to play a critical role - especially in the later relational stages. Relationships stabilize because of the expected future attraction. The parties invest in the relationship according to their perceptions of the expected future value of the relationship. Hence, the level of attraction depends not only on present cost and rewards but also on expectations of future attraction. Halinen (1996) also stresses that trust plays an important role with regards to expectations of attraction. Trust is indeed caused by confidence in the future behavior of the other party. A

trusted partner evokes confidence in the future reliability and the future ability and willingness to provide positive cost/reward outcomes of that partner and hereby increases the attractiveness of that partner (Schurr and Ozanne 1985, Halinen 1996). Further, Thibaut and Kelley (1959) argue that attraction changes exactly because of disconfirmed expectations. Expectations are disconfirmed when partner behavior falls below or surpasses expectations, leading to a decrease or increase in attraction respectively (Tedeschi and Lindskold 1976). Finally Blau (1964), who devotes an entire chapter to expectations, note that individuals who expect much from relationships are more prone to disappointment than those who expect little. When actors continuously act in ways that surpass expectations of partners and hereby increase attractiveness and future partner expectations, it becomes increasingly difficult to meet these expectations. Hence, the likelihood for failure increases and success becomes harder to attain. Decreases in attraction become probable, as does erosion of commitment. The presence of expectations suggests a need for balancing the attractiveness towards partners. On a more general level the following proposition can be formulated:

Proposition 3: Expectations are important determinants for attraction.

Attraction and Value

Attraction and relationship value are highly related concepts. However, unlike attraction value takes up a central position in the relationship literature. Progressive firms have become increasingly aware of understanding their relationships as generators of value rather than perceiving these simply by the prices of obtaining or selling their products (Anderson and Narus 2005, Cousins and Marshall 2000, Hartley 2000, Gadde & Håkansson 2001). Contributions have focused on understanding how suppliers generate value, with the purpose of optimizing supplier performance, for instance through supplier development. The frequently occurring problem with supplier development seems to be that suppliers tend to refrain from major developments unless they are motivated to do so. Moreover, supplier development often takes a form, where the customer evaluates the supplier and sets out directions for improvement for suppliers to follow. Hence the customer becomes the controller of supplier performance. As Lamming, Cousins and Notman (1996) note, this practice does not work well with the relationship paradigm. It actually seems to demotivate suppliers — the least desired effect in a supplier development project. Instead the parties should acknowledge that both parties need to perform and that development is a joint effort. Customer companies also need to create value for suppliers if development is to take place. Furthermore they need to know how they create value for suppliers (Walter, Ritter and Gemünden 2001).

Moreover value creation requires not only developing the activities of the two companies, but also the development of the relationship itself. Close relationships hold greater value creation potential than more distant relationships (Möller and Törrönen 2000, Kothandaraman and Wilson 2001). With increased commitment follows increased knowledge sharing and information exchange, which provide the basis for interorganizational innovative capabilities. Ideally a "rich relationship" is developed (Lamming, Caldwell and Philips 2002). Value is not just the effect of close relationships, but it also plays an important role in the development of these relationships, as noted above. This role of value has not been treated much, perhaps because value tends to be a non-relational concept, describing the attributes of the delivered product, e.g. price, styling and warranty (Wilson and Jantrania 1994). More recently, writers tend to include social aspects in the value equation (Ulaga 2001), but most often only as a quantitative element that counts in under similar conditions as the tangible product attributes. Indeed Homans' (1961) remark that "people are inclined to play down the act of transfer and emphasize only the objects transferred" seems appropriate. Hence value is an important concept, but it provides limited understanding of relational development. We believe that attraction serves the potential to take the value discussion further. Like value, attraction deals with costs and rewards. But it also deals with processes of relationship development simultaneously and therefore deserves more attention.

Proposition 4: Attraction is related to a relationship's value creation but goes beyond it.

Conclusion

The concept of attraction represents a valuable add-on to the relationship literature. Attraction can help researchers understand how buyer-supplier relationships initiate, endure and develop. Attractive customers

should be better capable of mobilizing supplier resources, leading to increased value-added from these relationships. Attraction has been a key concept in the social psychology/exchange literature, and should be adopted by purchasing researchers, the same way trust and commitment has been adopted. In this conceptual paper we have demonstrated the relevance of attraction by linking it to already established purchasing concepts - trust/commitment and value. We first argued that attraction is a prerequisite for trust and commitment - not just in the initial stages of relationship development, but on a continuous basis. Moreover, expectations are an important determinant of attraction. Next we proposed that attraction provides a complementary extension of the value concept. Like value, attraction is concerned with exchange costs and rewards. Unlike value it focuses on the social and behavioral elements of relationship development. The four propositions have provided insight into the potential of attraction. We see a valuable extension in attraction as trust, commitment and value are normally measured as a status (snapshot) while attraction builds beyond that by including expectations (could-be level). As such, attraction builds on trust, commitment and value and is continuously updated by changes in these constructs but attraction is more forward looking, i.e. future oriented. As such, attraction might demonstrate its potential as a better indicator for long-term development. Researching relationship initiation, continuation and development, we intend to take further advantage of the concept of attraction.

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