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A Model of Value Creation

Supplier Behaviors and Their Impact on Reseller-Perceived Value

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Academicians have long recognized that channel partners can create real value for one another, yet almost no research has been conducted to examine how value is created for a channel partner or what consequences accrue to the channel partners. The purpose of this research is to develop a conceptual framework of determinants and effects of value creation. The model begins by describing market-oriented behaviors that evoke supplier activities and behaviors designed to create value for the reseller. The framework concludes with likely consequences of reseller-perceived value and moderating effects.

INTRODUCTION

"Value creation and value sharing can be regarded as the raison d'être of collaborative customer–supplier relationships" [1, p. 349]; yet, academic and practitioner understanding of how channel relationships create value is still in its formative stages [1, 2]. This lack of knowledge concerning value creation is regrettable considering that channel partnerships between suppliers and resellers may provide an even greater source of positive returns than those from other marketing activities [3, 4]. Furthermore, academicians have suggested that firms can create a com-

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Value is derived from the perspective of the customer.

petitive advantage based on the relationships they build with other organizations [2, 5], in addition to the traditional resource-based view of gaining a competitive advantage via the ability to create and/or acquire resources that are rare, valuable, and difficult to imitate [6, 7]. The ability of a supplier to provide superior value to its resellers would appear to constitute such a competitive advantage.

The potential of value creation to effect a competitive advantage has led some academicians to issue a call for channels research that focuses on channel relationship development, management, and effectiveness [4, 8], channel partner value creation [1, 9], and finally, how value creation is measured [8, 10]. This paper responds to this research directive by presenting a conceptual framework for examining reseller value derived from a relationship with a supplier; specifically, we propose determinants and outcomes of perceived value creation. Moreover, this framework serves as an originating point for the eventual development of a standardized measure of value creation.

In this study, we begin by providing a definition of value and a justification of the need to measure value created by suppliers. In the next section, we present and develop our conceptual model of the channel value construct, including both its likely determinants and consequences. The starting point of the model is a supplier market-orientation, which is the driving force for this framework, where market-oriented behaviors are conceptualized as significant factors in determining supplier value-creating activities and behaviors. Then, value-oriented supplier activities and behaviors are proposed to significantly influence reseller costs, reseller financial performance, and reseller-perceived value creation within the channel relationship. In turn, reseller costs are shown to directly impact reseller financial performance and reseller-perceived value, with reseller financial performance also directly affecting reseller-perceived value. Finally, reseller-perceived value is posited to influence reseller commitment, cooperation, and satisfaction. A propositional inventory based on the proposed determinants and effects of channel value is also provided. In the final sections of this paper, we discuss managerial implications of the model, and propose directions for future research.

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IMPORTANCE AND DEFINITION OF VALUE

Recent findings indicate that while a certain level of quality may be necessary to compete, quality in and of itself may not necessarily provide a competitive advantage in today's marketplace [11]. In response, current research has sought to highlight the importance of value in customer decision-making [10, 12, 13]. Similarly, the importance of value in decision-making likely applies to members of channels of distribution as well, since resellers must be able to assess the value provided by suppliers in order to make more informed decisions concerning new supplier–partner selection and existing supplier–partner retention. Unfortunately, many supplier evaluation programs used by resellers assess little more than product quality, at the very least, and other quantitative measures, such as price and service, at the very most [14, 15]. Thus, resellers may have difficulty readily distinguishing between suppliers on critical nontraditional and qualitative issues. To gain a more adequate understanding of the relationship that the reseller has with the supplier, and the way in which that relationship adds to the performance of the reseller, a more comprehensive evaluation program is warranted. This process should explicitly go beyond the

Market orientation may be an important precursor to value creation.

simple assessment of supplier quality and take into account the broader provision of *total value* to the reseller.

The generally accepted definition for value focuses on the total worth of the benefits received for the price paid [2, 16]. This definition suggests that any model of total value must consider both benefits that add value to the channel relationship (including both direct, monetary and indirect, nonmonetary functions and activities) and factors (e.g., price or costs associated with the channel relationship) that offset the value added. These benefits and costs may be direct and easily measured, or indirect and virtually impossible to quantify.

The direct value added by a supplier is derived from those activities that can be readily expressed in a monetary sense, and include objective, directly quantifiable benefits which result in reseller value through decreased costs or increased sales (i.e., improved financial performance). The indirect component of value results from less tangible aspects of the relationship, such as relational or social associations with specific suppliers. Gassenheimer, Houston, and Davis label these aspects of a valued relationship, social value, and use social exchange theory (e.g., [17, 18]) as the theoretical basis for the concept where value is defined through satisfaction with the exchange relationship [19]. Similarly, in a consumer behavior context, Zeithaml [16] recognizes that a portion of product value may be derived from extrinsic attributes or intangible cues, which are part of the nonphysical characteristics of the product, such as convenience or being thanked for purchasing the product. It is these extrinsic attributes that likely account for consumer purchases of products at prices above the generic equivalent. In a channel of distribution context, the same holds true. Intangible, indirect attributes such as communication, trust, and commitment in a channel relationship are well recognized as important factors, which may enhance or depreciate the value derived from a channel relationship.

Based on a synthesis of previous definitions, Woodruff defines value as "a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situation" [13, p. 142]. The importance of Woodruff's conceptualization of value over other definitions, is twofold: 1) the definition emphasizes the multifaceted nature of value creation in that both attributes and consequences of activities comprise perceptions of value, as discussed previously and 2) value is derived from the perspective of the customer or value recipient.

The perspective for determining value created is especially important because the actual value derived from a channel relationship may be determined from a number of perspectives: the value provider, the value receiver, or even external constituents. Siding with Woodruff [17], we contend that any supplier valuation framework must be developed from the perspective of the reseller (or value recipient), and that it is the *perceived value* that provides the foundation upon which the relationship exists. Substantial evidence for a customer perspective exists in both the channels of distribution and the services/customer behavior literature. For example, Zeithaml states that "What constitutes value—even in a single product category—appears to be highly personal and idiosyncratic" [16, p. 13], and Anderson and Narus [2, in insert "Using Customer Focus Groups to Assess Value," p. 54] note that "in some cases, the only way to obtain information for a value model is to rely on customer perceptions."

Considering previous evidence and the value factors discussed above, any definition of value must account for the inclusion of total benefits, including direct and indirect benefits derived from attributes and consequences, that arise from partner activities and behaviors, less total direct and indirect costs, and be determined from the customer perspective. Thus, we define channel relationship value as the sum total of benefits derived from a channel partnership, less the costs associated with the partnership, as determined by the customer partner. Using this definition, we provide a model of supplier-created, reseller-perceived value.

> Relational elements may create value for reseller partners.

A MODEL OF RESELLER-PERCEIVED VALUE OF THE CHANNEL RELATIONSHIP

A supplier wanting to provide greater value to reseller partners and resellers wanting greater value from suppliers must first understand value determinants. Figure 1[1] presents a framework whereby reseller-perceived value is determined by a chain of events that begins with the market-oriented behaviors of the supplier firm. The market-oriented behaviors guide the activities and behaviors of the supplier toward superior value creation. These activities and behaviors affect relationship costs, financial performance, and reseller-perceived, supplier-created value. The perceived value then results in greater reseller commitment, cooperation, and satisfaction with the channel relationship. This model assumes that value is determined from the perspective of the receiver (i.e., reseller) of the valued activities. Each of these model components is discussed in this section.

Market Orientation

Market orientation is defined as a "culture that (1) places the highest priority on the profitable creation and maintenance of superior customer value while considering the interests of other key stakeholders; and (2) provides norms for behavior regarding the organizational development of and responsiveness to market information" (for a discussion of the history of market orientation, see [21], for example) [22, p. 67]. Most relevant to our framework and to intermediary customers, however, is the manner in which the supplier operationalizes market orientation to facilitate value creation for the reseller. According to Slater, a firm exhibits market-oriented behaviors by developing "skills for acquiring knowledge about customers and other market participants, sharing that knowledge widely throughout the organization, achieving consensus on its meaning, and taking action to deliver superior customer value" [8, p. 165].

A shining example of acquiring information about business customers, disseminating information, and responding to that information comes from both Dell Computer and MCI. Dell examines and aggressively tracks each customer interaction to assess specific computer needs. The company then installs appropriate software, inventory tags, and so forth when assembling computers to decrease the number of tasks business clients must perform, thereby providing more corporate partner value [23]. Information acquisition also allows MCI to provide greater value to its business consumers. Using a program called Proof Positive, MCI examines business' long-distance calling patterns, information MCI routinely collects about its customers, to recommend the most cost effective calling plan for its corporate customers, even though cost savings to customers may mean lost revenues to MCI. Nevertheless, the benefits of this program for MCI include increased perceptions of trustworthiness by customers and the creation of a competitive advantage that directly yielded a 13% quarterly growth increase and a 25% reduction in customer turnover [24].

Considering this definition and logic, market orientation may be an important precursor to value creation in a channel context. However, with the exception of Siguaw,

[1] While the determinants listed in the model are, in and of themselves, likely to add economic value to channel members, it is likely that they will also interact in such a way as to create additional channel equity. We do not, however, address the potential synergistic interrelationships of component factors in this paper, because interrelationships are dependent upon a myriad of factors beyond the scope of our intention to provide a framework for examining channel equity as a construct. As Nevin states, and as Weitz and Jap concur, various relationship marketing efforts may have differing effects depending on specific partner needs such as when "the need to provide assortment might limit the degree to which trusting and committed relationships can develop and strategic advantage can be achieved through relationships in conventional channels" [4, 20, p. 333]. Also, the framework proposed here does not specify supplier costs of reseller value providing activities and behaviors for the sake of parsimony. Although suppliers would certainly want to cost-analyze activities associated with providing reseller value before implementation, we consider "supplier costs" a component of the supplier side of value creation and thus beyond the scope of the framework outlined here. We do include a limited discussion of added costs and substantial value to the supplier, often through its access to, or relationships with, ultimate consumers, however, in the Managerial Implications section of the paper.

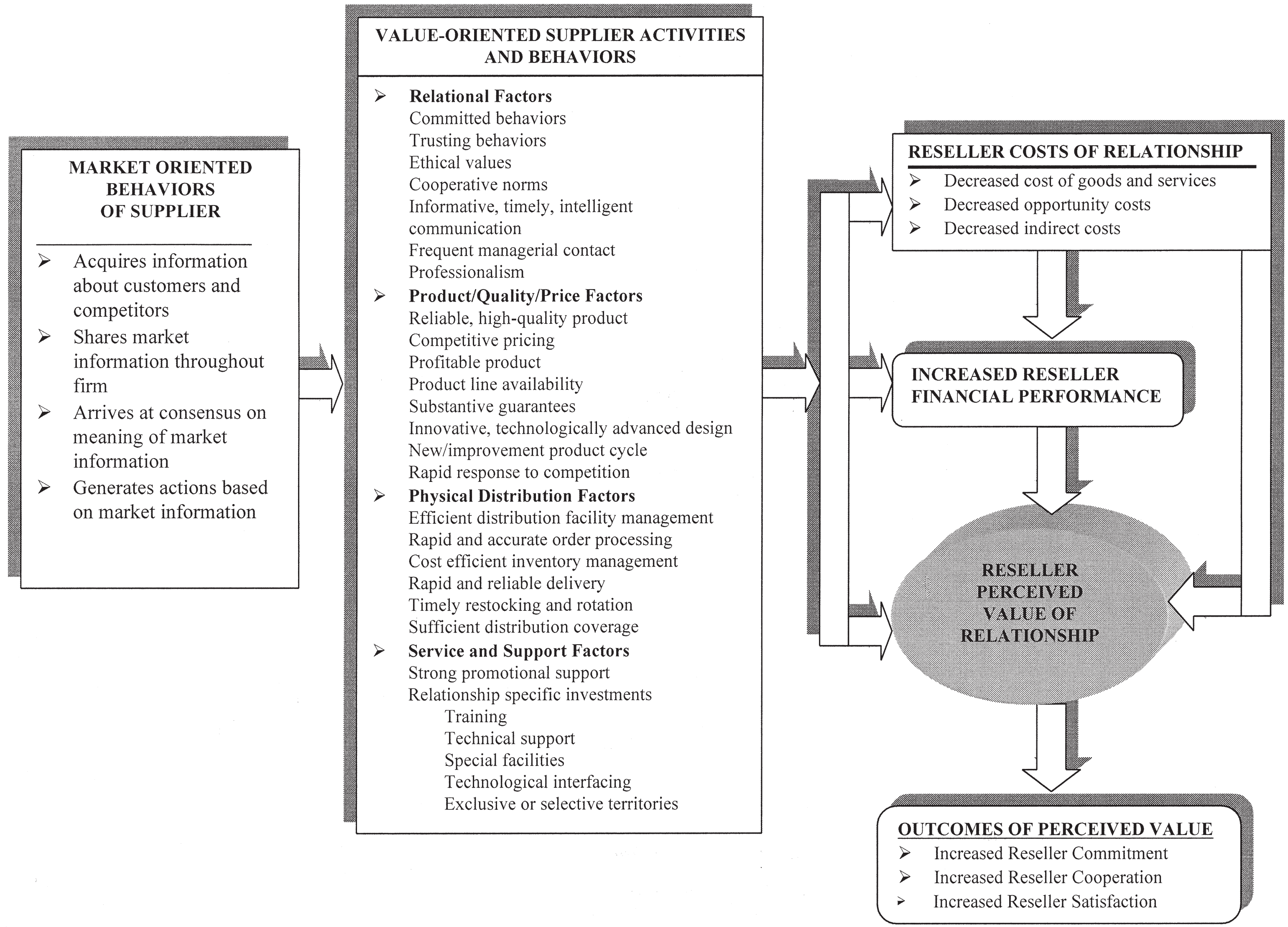

FIGURE 1. Framework of value creation.

The "right" product configuration may create value.

Simpson, and Baker [22], the effects of market orientation within a channels context have been virtually ignored, leading Frazier to note that additional research in this area is "critically needed" [25, p. 231]. The framework proposed in this paper adds to this nascent stream of research because the market-oriented behaviors of the supplier is conceptualized as the driving force behind a supplier's value-creating activities and behaviors.

In our model, the market-oriented behaviors of the supplier result in specific activities and behaviors, in terms of relational, product, physical distribution, and service factors, that are designed to create superior value for the reseller. Although little empirical results exist to support this contention, by definition, market-oriented firms take "action to deliver superior customer value" [8, p. 165]. The supplier may continuously modify these value-oriented activities and behaviors, or may strongly emphasize certain activities over others because the continuous acquisition of market information allows the supplier to anticipate and respond to changes in reseller desires over time or across different purchase situations (c.f. [13]). Further, the response function of market orientation fosters a "commitment to customer value-focused innovation" [8, p. 165]. Here, the market-oriented supplier seeks to meet new or changing reseller needs through an improved distribution channel, better service, or new products [21]. Based on this discussion, we introduce the first of our propositional inventory:

P1: A supplier's market-oriented behaviors result in value-oriented supplier activities and behaviors directed toward the reseller partner.

Supplier Value-Oriented Activities and Behaviors

In this section, we first discuss the supplier determinants of value creation—which we identify as channel relational factors, product factors, physical distribution factors, and service factors—that a market-oriented supplier brings to a channel relationship with a specific reseller.[2] Each of these factors in the relationship may directly or indirectly enhance the reseller-perceived value added by the supplier. The proposed model does not specifically differentiate between direct and indirect value determinants because many factors have characteristics of both, though both must be considered in value determination.

RELATIONAL FACTORS. Relational factors are those activities that aid in "establishing, developing, and maintaining successful relational exchanges" [26, p. 22]. These activities, which have been identified in the literature as facets of relational exchange, may have the potential to significantly affect reseller-perceived value, financial performance, and costs. Activities identified from previous research that comprise our relational factor construct include commitment [27], communication, cooperation [28, 29], shared ethical values [26], trust [26, 30], frequency of managerial contact, and professionalism [31].

When suppliers emphasize these relational elements, they can create or add value for reseller partners. For example, the relational factors that typify long-term relationships can reduce transaction costs [32]. When channel members operate under discrete exchanges, their costs are significant due to the negotiating, writing, and processing of each sales contract that must be completed for each transaction [31]. However, when commitment, trust, cooperative norms, and shared values characterize the channel partnership, these relational factors serve to reduce negotiation time; to keep work moving forward, even when a particular situation arises that is not contractually covered; and to minimize the need for monitoring and safeguarding procedures [31]. Clearly, these rela-

[2] We believe that the set of value-oriented determinants and outcomes from the supplier perspective is substantially different than those from the reseller perspective. This paper conceptualizes value creation from a reseller perspective rather than a supplier perspective because in most channel relationships the supplier is in a better position to provide more varied and more direct value-added benefits to the reseller *by virtue of the relationship* in general, rather than vice versa. Nevertheless, there are noteworthy exceptions where the reseller is able to provide value to the supplier.

Relationship-specific investments create value for resellers.

tional factors reduce costs and increase productivity, thereby creating value for a channel partner.

Another supplier-provided relational factor—communication—may also affect the perceived equity the reseller derives from the relationship. Informative and timely communications are likely to increase the perception of added value in a channel relationship or, at the very least, serve to obstruct relationship dissatisfaction [33]. Intelligent communications also provide the reseller partner with greater access to current knowledge about competitors, customers, and other constituents [34], knowledge which can be effectively leveraged to the advantage of the reseller. Shared information derived from good communication and collaboration may be used by both firms to improve operations efficiency through forecasting and mass customization (c.f. [35]). The importance of communication in a channel relationship is demonstrated by the following anecdote. During the Rally Parts International's 1995 annual resellers' meeting, 31 resellers, accounting for 40% of the company's overall sales, defected the supplier, citing poor communication as the primary reason [36].

The explication and effects of relational components such as commitment, communication, shared values, cooperation, and trust and their effects have been well documented in the literature. However, the supplier-provided relational factor may consist of other, not so widely noted, facets as well. For example, supplier frequency of managerial contact and professionalism may create value for the reseller. Frequency of managerial contact serves to create a perception that the supplying partner is more knowledgeable about and better attuned to the reseller's needs. Consequently, this frequent contact develops a perception of value for the reseller—because the supplier appears to be truly concerned about the reseller. It is also another way for a supplier to create value for partners, since this frequency of contact may not be available from alternative suppliers [31]. Supplier professionalism, which encompasses expertise, skills, competency, and attitude, is of value to the reseller partner because this professionalism can serve as a critical informational resource for the reseller, which in turn may serve to lower costs and increase financial performance. The professionalism of the supplier creates value because the reseller would lose this capable resource if it switched to an alternative supplier (c.f. [31, 37] regarding partner expertise).

Based on the preceding, we believe that these relational components, which we have bundled under the term relational factors, will impact the reseller's perceptions of value. In sum, previous research and logic clearly indicate that:

> *P2:* A supplier's enhancement of relational factors will (a) decrease reseller costs of the relationship, (b) increase reseller financial performance, and (c) increase reseller-perceived value of the channel relationship.

PRODUCT FACTORS. A supplier's "product" consists of the *total* bundle of attributes relevant to its buying-channel partner. Besides the standard product attributes of quality, reliability, and price/cost, other characteristics directly attributable to the product, such as product profitability, line assortment, guarantees, physical design, product improvements and innovations, and the market competitiveness of the product (e.g., [38–43]) are also important components of the total product bundle that represent real value to a reseller. In fact, a supplier's total product package and the perceived economic value the reseller will derive from use or resale of the supplier's total product may initially determine supplier selection. This derived product value may be further enhanced by partnerships with suppliers that continuously improve their products in anticipation of the future needs and demands of the marketplace. Such suppliers assist the reseller in retaining a competitive edge, which may reduce direct and indirect reseller costs, and further contribute to the profitability of the product and, consequently, the channel relationship.

Examples of the ability of the "right" product configuration to create economic value for the reseller comes from the automotive industry. The introduction of the

Supplier value-creating activities should increase reseller sales and decrease costs.

classic 1964 Ford Mustang [44], the Mazda Miata [45], and the new Volkswagen Beetle [46] are representative of product bundles where customers perceived the products' overall value as being even higher than the suggested retail price. Consequently, some dealers auctioned off their limited supply of these products to the highest bidder. In the computer industry, IBM has specially tailored bundles of hardware, software, training, and consulting to create added value for small business customers, a strategy that experts maintain has pointed IBM in the right direction [47]. In these cases, the supplier's ability to incorporate the most desirable mix of various tangible and intangible factors into a total product bundle generates increased profitability for the reseller.

The suppliers' ability to offer its resellers a unique, *total* product bundle can be an important determinant of value for the reseller. The greater the perceived value of a supplier's product attributes in comparison to feasible alternatives, the more likely the reseller is to perceive that it actually receives superior value because of its association with the supplier. Certainly, resellers will want to partner with the supplier whose products are perceived as being the best on the market and offer the lowest relative costs and the greatest profitability. Considering the perceived value of the total product offered by a supplier, elements related to the product may provide considerable value for a reseller-partner. Thus:

> *P3:* A supplier's enhancement of product factors will (a) decrease reseller costs of the relationship, (b) increase reseller financial performance, and (c) increase reseller-perceived value of the channel relationship.

PHYSICAL DISTRIBUTION FACTORS. Traditionally, a physical distribution system consists of facility management, order processing and information management, inventory management, and transportation management [48]. These functions insure that the right products arrive to the right customers at the right place and right time, and can be the source of added value for both channel partners. As physical distribution and logistics costs can be as much as 30–40% for some firms [49], the physical distribution system can have a great impact on the profitability of the firm and can be a major source of competitive advantage. For example, by reconfiguring loads on pallets, Motor Cargo saved Square D over $1,000,000 in shipping costs [50], and Tropicana's innovative distribution of its orange juice provides resellers with fresher orange juice and reduces storage and pick up costs [51]. In each of these cases, suppliers clearly provide tangible value through increased benefits or reduced costs that likely affect the perceived value their reseller partners derive from the supplier relationship. Furthermore, companies as diverse as Saturn Corporation, National Semiconductor, Laura Ashley, and Compaq can all point to the management of their physical distribution functions within a channel partnership as keys to success in their respective industries because these functions create value for channel partners [52]. Finally, proliferation of Internet connectivity is vastly streamlining costs of inventory management and speeding up order processing. For example, one Cisco spokesman maintains that automation of such processes can reasonably reduce costs by $110 per order [53].

Morash, Droge, and Vickery found that some relevant aspects of physical distribution facilitated the development of channel partner value and improved financial performance [54]. In their study, these authors differentiate between what they term demand-oriented (external customer-oriented) and supply-oriented (internal customer-oriented) aspects of physical distribution. Specifically, the demand-oriented aspect includes, among others, tasks such as delivery speed and delivery reliability. Supply-oriented tasks identified by the authors include product availability, ability to target selected resellers, and low total cost distribution. In a survey of CEO's of furniture firms about the effects of these distribution functions, the researchers found that the demand-oriented tasks were perceived to have greater value than any of the supply-oriented tasks. Furthermore, delivery speed was found to be associated with return on investment (ROI)

> Supplier market-oriented behaviors drive value creation for resellers.

growth, return on sales (ROS), and ROS growth for the firm, whereas delivery reliability entered into the equations predicting ROI, ROI growth, and ROS growth, in comparison with performance with competitors. Low-cost distribution was identified as a significant predictor of ROA and ROS.

Clearly, then, the supplier physical distribution function may significantly impact value and financial performance for the reseller in a channel of distribution. Given that physical distribution may play such a large role in the success of the firm, those suppliers best able to manage physical distribution will be able to help create the highest levels of value for channel partners. This discussion provides empirical and anecdotal evidence supporting our contention that the physical distribution system can decrease costs, increase financial performance, and create value.

P4: A supplier's enhancement of physical distribution factors will (a) decrease reseller costs of the relationship, (b) increase reseller financial performance, and (c) increase reseller-perceived value of the channel relationship.

SERVICE FACTORS. Suppliers provide numerous services that have the potential to create value for their resellers. These services are becoming increasingly important as more companies are less interested in "a mere product or service and more interested in the total solution" [35, p. 55]. Examples of service and support factors include the level of promotional support given to the reseller, and the relationship specific investments provided, such as training, technical support, specialized facilities, technological interfacing, and territory selectivity (e.g., [27, 39, 42, 43, 55]).

The supplier's relationship specific investments (RSIs) in the reseller is one facet of service that creates value for the reseller in several ways. First, these investments provide tangible evidence of a supplier's commitment to the reseller and increase the supplier's risk on behalf of the reseller. Here, the supplier will suffer economic consequences if it terminates the relationship because these investments are not easily transferable to other relationships [27, 31, 32, 56]. As such, these RSIs allow the reseller to concentrate on business issues at hand, rather than waste resources (time, energy, capital) out of concern that its supplier is going to close up shop, be unable to deliver a good product on time, or simply replace the reseller on a whim [57]. The RSIs also provide assurance of continued supplier support for the reseller—that the supplier will "be there" for the reseller [58, p. 42].

Further, service factors provide real economic benefits to the reseller when the supplier assumes the burden of assisting with promotions, awarding territory selectivity, and bestowing other relationship specific investments on the reseller. These investments create special relational links between the channel partners [30], increase sales by improving selling skills and product knowledge, improve efficiency [43], and reduce costs by easing the stress and paperwork associated with transactional exchanges [57, 59]. Thus, value is developed via the supplier providing special services that improve sales (i.e., financial performance) and save money (i.e., reduce costs). Moreover, the perception of value is further enhanced because the channel partner will not necessarily have these benefits if it switches to a competitive partner [30, 31, 60]. The importance of service to the channel partner is evidenced by the empirical work of Gustin, Daugherty, and Ellinger, where "vendor viability/reliability, efficiency, and vendor support" were found to be highly rated supplier evaluation criteria [58, p. 42].

Evidence of the ability of suppliers to provide various forms of economic value to resellers through service and support factors abounds. For example, a pilot study commissioned by the Grocery Manufacturers of American revealed a 10–12% decline in reseller inventory investment if half the supplier sales were conducted using scan-based trading, whereby point-of-sale scanner data is used for inventory, promotion, and payment management [61]. Another study found that retail buyers believe that quick response systems, which included both EDI and barcode scanning systems, improve profits, save time,

Suppliers who generate value for resellers reap numerous rewards.

improve forecasting, reduce mistakes, reduce lead times, and improve inventory management [62].

Assistance in providing Internet and direct marketing access to consumers are also examples of service and support a supplier can provide to increase reseller value. For example, Mitsubishi provided its dealers with a customer management database tool and an online presence in pilot programs. The database tool led to a 10–15% increase in business to users, and the Web site had 4,000 hits and sold more than 100 cars during its launch [63]. This discussion and these examples of service factors suggest the viability of the construct in affecting value and financial performance for a reseller:

P5: A supplier's enhancement of service factors will (a) decrease reseller costs of the relationship, (b) increase reseller financial performance, and (c) increase reseller-perceived value of the channel relationship.

Interrelationships of Outcomes of Value-Oriented Supplier Activities and Behaviors

The linkages between the direct and indirect consequences of value-oriented supplier behaviors and activities are discussed in this section. Specifically, we discuss the direct effects of reseller costs of the relationship on reseller financial performance and reseller-perceived value of the relationship. Next, the association between reseller financial performance and perceived value is discussed. Finally, the reseller-perceived value of a channel relationship is proposed to affect the reseller's commitment to the relationship, relationship satisfaction, and cooperation.

DIRECT EFFECTS OF RESELLER COSTS. The costs, or the amount a reseller pays to a supplier partner, or expenses incurred because of an association with a specific supplier, negatively affect the financial performance and the value obtained from the channel relationship. These costs arising from a specific channel relationship may be direct and/or indirect. Overtly, the price a reseller pays a supplier for goods and services received are direct costs of doing business that affect the financial performance and total value derived from the relationship. Covert costs include opportunities forgone or indirect costs incurred because of the specific relationship. For example, a reseller may be unable to capitalize on a new product innovation with another supplier, or may spend considerable effort and suffer lost sales because of slow shipments from the supplier. These direct and indirect costs stem directly from the supplier's activities and behaviors and, thus, may be increased or decreased through the efforts of the supplier.

As value-creating activities increase reseller sales and decrease costs, profitability, cash flow, and perceived value are positively affected. For example, suppliers' improved physical distribution helps resellers decrease costs whereas better products and services increase revenue. Real and anticipated market-based activities that increase revenue and decrease costs positively affect (future) cash flows, profitability, share price, and perceived value [64]. Accordingly:

P6: Decreased reseller costs of the relationship will (a) increase reseller financial performance and (b) increase reseller-perceived value of the relationship.

DIRECT EFFECT OF FINANCIAL PERFORMANCE. The reseller's financial performance is posited to influence the reseller's perceived value of the relationship. Intuitively, a reseller should value a relationship that is enhancing the reseller's financial performance, if for no other reason than the economic value derived from the relationship. This linkage is supported by Molm, whose experimental design indicated that dyadic relationships would endure despite comparable alternatives, as long as the economic rewards are deemed equitable [65]. This, and logic, suggests that quantifiable and measurable economic rewards of improved financial performance directly attributable to a channel relationship will directly affect perceived value from the relationship.

P7: The increased financial performance of the reseller will increase reseller-perceived value of the relationship.

EFFECT OF PERCEIVED VALUE ON COMMITMENT. Reseller-perceived supplier value is posited to result in increased reseller commitment to the supplier. Commitment is "a desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship, and a confidence in the stability of the relationship" [27, p. 19], and includes the intent of future interaction [66]. In principle, resellers partnering with suppliers that have invested considerable resources in the relationship—through relational, service, product, and physical distribution factors—will be more committed to an enduring relationship with that supplier, assuring the supplier of a continued market for its products [30, 31, 60]. As Robbins states, "Creating value for customers through the enhancement of revenues and cost savings provides a value-added way to help customers thrive financially and *become equal partners for a lifetime*" [emphasis added] [67, p. 9].

Some empirical evidence exists to support this idea. Dorsch, Swanson, and Kelley found that "customers reported stronger, positive attitudes toward building long term relationships with their best vendors relative to their typical vendors" [68, p. 139]. Further support comes from the considerable recent research focusing on the antecedents of commitment (e.g., [22, 26, 27, 69]). In general, commitment is affected by the following value determinants: communication [27, 70], relationship benefits and termination costs (i.e., relationship specific idiosyncratic investments; [26, 27]), and trust [22, 26, 30]. These aforementioned factors influence the commitment of the recipient (e.g., reseller) of these behaviors because these factors may create the perception of "value" for the recipient; in turn, this value facilitates commitment. For example, a supplier who behaves in a trusting manner will not necessarily generate commitment in a reseller, unless the reseller perceives that the supplier's trusting behavior results in added value, such as in reduced costs from a diminished need to monitor a trusted partner's activities. Prior studies on the relationship between the aforementioned determinants and commitment have failed to include this important mediating link of value. Consequently, the following proposition is offered:

P8: Reseller-perceived value of the relationship will positively influence the commitment of the reseller to the channel relationship.

EFFECT OF PERCEIVED VALUE ON COOPERATION. Cooperation involves "coordinated actions taken by firms in interdependent relationships to achieve mutual outcomes or singular outcomes with expected reciprocation over time" [28]. Channel cooperation necessitates that channel members place their fate, at least partially, into the hands of the other party [71, 72]. Heide and Miner noted that ambiguity in the performance actions of one partner may have a negative effect on the level of cooperation [73]. Conversely then, definitive, positive actions on the part of one partner may encourage greater cooperation from the other partner. Therefore, suppliers who create value through improved relational, product, service, and physical distribution factors are providing tangible, positive proofs of performance that should encourage greater cooperation from resellers. Accordingly, the following is offered:

P9: Reseller-perceived value of the relationship will positively influence the cooperation of the reseller with the supplier.

EFFECT OF PERCEIVED VALUE ON RELATIONSHIP SATISFACTION. Reseller-perceived, supplier-created value is proposed to increase the reseller's satisfaction with the channel relationship. If resellers in a channel relationship are aware that a given supplier creates value by providing better services, products, physical distribution, and relational benefits than alternative suppliers, then the resellers are likely to be more satisfied with their supplier relationship. This ordering of perceived value to customer satisfaction has been advocated by others (e.g. [13]) and supported somewhat empirically by Churchill and Surprenant, who found value to be linked to feelings of overall satisfaction [74].

Although an association between value and relationship satisfaction has received little attention previously, the effects of some specific value determinants have been associated with satisfaction. For example, in their study examining relationships between marketing research suppliers and business firms, Nowak, Boughton, and Pereira found that long-term, collaborative relationships resulted in an increase in perceptions of quality of performance and value [75]. Similarly, Teague et al. noted that the benefits of supplier involvement in design, technology, and cost reduction have been so strong, that firms intend to increase their supplier involvement in the future due to the extra value provided [76]. Other specific channel relational factors such as trust [28, 69], communication [70], and cooperation [77] have been found to affect relationship satisfaction. Accordingly, we propose that the actual ordering of these relationships, as with the commitment outcome, flows from reseller-perceived value to reseller relationship satisfaction. Again, the reseller must perceive the value provided by the supplier's value-oriented activities and behaviors before satisfaction will be forthcoming. In total, these study results suggest:

P10: Reseller-perceived value of the relationship will positively influence the satisfaction of the reseller with the channel relationship.

MANAGERIAL IMPLICATIONS

The framework and propositional inventory of supplier-created reseller value outlined in this research has direct managerial implications. Our model provides a framework for understanding how channel suppliers may forge stronger strategic alliances with partners in a global marketplace. First, our research suggests that market-oriented behaviors will drive the efforts of the supplier to create value for the reseller. Essentially, because market-oriented behaviors are based upon an organizational culture of providing superior value to the customer [8], the activities and behaviors that ensue should be directed toward the common corporate goal of value creation.

Second, this research delineates the supplier behaviors and activities that can be expected to decrease reseller costs, improve financial performance, and, most important, create perceptions of long-term value for the reseller. These value-creating factors are governed by senior management and may be modified for the intentional creation of superior value. That is, suppliers may provide superior value for resellers by focusing on a combination of relational, product, physical distribution, and service factors.

Third, our proposed framework posits that the supplier can positively influence reseller commitment, cooperation, and satisfaction through value created for the reseller. Since distributors within competitive environments are routinely seeking a competitive advantage through improved conditions with alternative suppliers, the supplier's ability to increase reseller commitment, cooperation, and satisfaction will likely strengthen and secure the channel relationship and strategic alliances. Moreover, these long-term relationships yield value to the supplier as well. Committed relationships with resellers mean that the supplier will not be forced to expend time, energy, and financial resources to establish a working relationship with a new network of intermediaries, thus reducing switching costs. Efforts that would have been devoted to locating and orientating new resellers may be used to improve the supplier's financial performance.

Fourth, the framework provided in this work provides resellers with a greater understanding of value determinants. From a practitioner standpoint, the framework of value creation generated in this study may be used as a guide for those resellers who are seeking to develop a more comprehensive supplier evaluation program. The model developed here goes well beyond the simplistic measurement of supplier product quality frequently found in industry evaluation programs [14, 15], and provides resellers with tangible and intangible facets of supplier activities and behaviors on which reseller's may readily assess the supplier's *total value* to the reseller.

The model further suggests that supplier management should take steps to communicate how the supplier's efforts are generating added value to reseller-partners and monitor reseller perspectives of the supplier relationship, because value is a perceptual measure—measured from the reseller-partner perspective. As a result, simply implementing value-oriented activities and behaviors will not guarantee the creation of *superior* value from the reseller's perspective. Indeed, without appropriate communications regarding value-creating activities, supplier efforts to create value for the reseller may raise reseller expectations regarding relational, product, distribution, and service factors so high as to produce reseller dissatisfaction. This problematic phenomenon has been previously identified as a result of overpromising within the service sector [78].

Senior management must also take steps to foster the right attitude—a market orientation—among all employees interfacing with channel partners. The most frequent contact a reseller may have with a supplier may be through a salesperson or a staff member, for example. If the reseller has a bad experience with these contact personnel, the reseller may not perceive the value the senior management had hoped to create or the negative experience may override the value created, and resellers could seek alternative suppliers. Consequently, managers must take care to align all their corporate practices with their market-oriented philosophy. For example, sales incentive plans should not induce the supplier sales force to ship products to resellers ahead of schedule, thereby forcing resellers to pay for and warehouse unwanted goods.

Our arguments in this paper suggest that suppliers may invest substantial resources in the channel relationship to generate value for the reseller. Suppliers are not merely altruistic, however; to justify the devotion of resources to the development and maintenance of channel value, the supplier must derive benefits from their investments. Our research implies that suppliers who do generate value for the resellers will reap their own numerous rewards, although confirmation of these supplier benefits is recommended as a direction for future research. First, these value-creating suppliers are more likely to attract and acquire preferred resellers to their reseller network and increase reseller network efficiency. The indirect effects of the supplier's value creation on reseller satisfaction, cooperation, and commitment should improve the reputation of the supplier in the eyes of all possible resellers for a given supplier. Reputation is important, as a number of researchers and practitioners have touted (e.g., [14, 27]). The supplier's good reputation implies that the supplier is a viable, financially sound entity that can deliver on what it promises (e.g., [40]), thus reducing monitoring and safeguard procedures required within that relationship. This reputation for value creation should attract a greater number of potential resellers, allowing the supplier to select only the best resellers from the pool available both nationally and globally. Additionally, committed, satisfied resellers will not have an interest in seeking alternative partners if the current supplier creates value beyond that of alternative suppliers [31]. Consequently, the supplier should be able to attract and retain the best resellers within its distribution channel, thereby reducing the need for switching resellers and incurring the associated switching costs.

Second, we suggest that improvements in reseller commitment, satisfaction, and cooperation will likely provide the supplier with the ability to improve its knowledge base. That is, a reseller that is satisfied with the relationship and the financial performance from the relationship, and that is committed to the relationship, should be more willing to provide the supplier with valuable information about end users, new product uses, and the need for product innovations [31].

Third, we would also expect improved reseller commitment, cooperation, and relationship satisfaction to engender greater supplier normative influence over the satisfied reseller. This conjecture is based on Doney and Cannon, who found that trust in the supplier influenced purchase intention in an industrial buying context [14], and on Lusch and Brown, who found that normative contracts are used to govern relationships as mutual interdependence increases and that greater normative contract governance is associated with greater relational behavior and with wholesaler-reseller performance [79].

Fourth, reseller commitment to and satisfaction with the supplier should positively affect the financial performance of the supplier partner. Several studies have noted the financial benefits associated with committed, long-term relationships. For example, loyal resellers have been noted to dedicate greater percentages of their business to favored suppliers, and thereby increase revenue for supplier partners [68]. Likewise, as Kalwani and Narayandas point out, "benefits of long-term relationships go beyond manufacturing efficiencies; we find that maintaining close relationships with customers in the long run can lead to higher profitability through better understanding and servicing of customer needs" [80, p. 14].

To obtain the advantages implicit in our model for the reseller, as well as those inferred for the supplier, the supplier's first step should be the adoption of market-oriented behaviors, specifically acquiring and sharing reseller information, arriving at a consensus on information meaning, and generating actions based on the information. Next, the supplier must focus on incorporating activities and behaviors that will readily convey the perception of value to the reseller. Suppliers should note that relatively high levels of supplier behaviors must be present in all four determinants of value creation—relational, product quality/pricing, physical distribution, and service—to yield reseller perceptions of value in the relationship. That is, being strong on relational, distribution, and service factors is not likely to offset shoddy product quality; neither will a great product completely counteract inefficient, unreliable distribution and service.

Suppliers who choose to embrace value-oriented activities and behaviors are also more likely to effectively integrate the reseller into the supplier's operations, since trust, commitment, and cooperation will be higher. Consequently, strong strategic alliances can be developed that will be beneficial to both parties. For example, supplier's may be able to reduce their costs by encouraging cooperative resellers to perform supply-related functions such as warehouse management and inventory control [81]. Resellers will benefit by creating value for the supplier, thereby reducing the supplier's likelihood of bypassing the reseller to establish direct ties to the final consumer.

Finally, an examination of our model implies that the creation of value will take place slowly. Indeed, many of the value-oriented activities, especially relational factors involving trust and commitment, require substantial investments in time. Further, some value-creating activities such as relationship-specific investments will require such financial risk that suppliers will want to ascertain that there is sufficient stability in the channel relationship prior to making that type of investment.

DIRECTIONS FOR FUTURE RESEARCH

The development of any framework seems to generate more researchable questions than it answers; the framework developed in this paper is no different. Most obvious, empirically testing each of the proposed relationships to determine the importance of the relationship and its contribution to the value process is needed. Similarly, interrelationships and ordering of effects among variables, such as determinant factors or reseller outcomes, should also be explored in future efforts. A related need for future research involves the development of a valid and reliable measure that will accurately assess the degree of value created by a supplier for a reseller. The arduous task of creating such a measure is a crucial step in being able to empirically test the framework proposed in this study. Further, it is a necessary step in facilitating the development of this budding stream of research.

The framework provided in this paper is a one-sided perspective leaving the reseller-generated value-side perspective subject to future research. The ability of a reseller to create value for the supplier would appear to be of utmost importance today when headlines increasingly report growing conflicts between these two channel partners, and resellers are being threatened by other forms of exchange, especially electronic commerce, which allows the end user to go directly to the supplier [82, 83]. Resellers who seek to incorporate valuable services for the supplier will be in the best position to survive a turbulent environment. Future research should also explore ways a reseller can most effectively create value for a supplier. This investigation may include electronic interfacing in which the resellers allows the supplier to tap into its database, so as to keep current on orders and gain knowledge about end users, for example.

As a further extension of our model, the benefits gained and the costs incurred by the value-creating supplier should be incorporated. These potential benefits—acquisition of preferred resellers, improved knowledge base, increased normative channel influence, enhanced financial performance—have already been discussed in some detail in the current paper. While the benefits of value creation are expected to be substantial, additional costs are also likely to be accrued. Prior studies have frequently noted that firms who seek a market orientation acquire increased costs (e.g., [84]); similarly, suppliers who seek to create value for their resellers are also subject to an increased utilization of resources. Consequently, suppliers will have to identify the level of value-oriented activities that will have the desired effects upon resellers while containing expenditures. The development of a model to determine the appropriate balance is also another avenue for future research.

CONCLUSIONS

This paper responds to the resounding call to explore value creation in a channels context by presenting a framework for understanding how a supplier may create value for a reseller–partner. As such, this study contributes to the marketing discipline in three ways. First, this work is the first to explicitly link market orientation and customer value creation within a channels context. Given Frazier's recent plea for additional exploration of market orientation within a channels context [25], this contribution, in and of itself, is important. Second, the framework developed in this study is the first to clearly delineate the broad range of critical factors which suppliers can manage in their pursuit of value creation for resellers. Third, the proposed model is also the first-known research to propose direct outcomes of the value perceived by the reseller.

Briefly stated, our framework and propositional inventory posits that market-oriented behaviors drive value-oriented supplier activities and behaviors, which focus on relational, product, physical distribution, and service factors. The effects of supplier value-oriented activities and behaviors are decreased reseller costs, improved reseller financial performance, and greater reseller-perceived value from the relationship, with perceived value moderated by reseller expectations and comparisons of alternative suppliers available. This increased perceived value derived from the relationship leads to a stronger commitment to the supplier, and greater cooperation and satisfaction with the supplier. Consequently, this framework for examining value creation should assist suppliers in using market orientation and value creation as a competitive advantage. Moreover, it should serve as a springboard for generating research involving these important channel topics.

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