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Customer- firm business relationship and network

The case of Retailers/IT

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Abstract

During the last decade's information technology and its impact on business relationship has occupied the attention of researchers. The interface between two actors has been discussed to be either digital, "physical" or/and a combination of the both.

In this paper we tackle the issue of what makes customers conduct their exchanges with firms on the internet and what make most customers still carry out exchanges in "traditional" stores. The study relay on business network and focuses on the concept of business relationship strength. More specifically, the relationship is explained not only by the focal relationships but also through connected actors' impact on the digital or physical business relationship.

To investigate this issues a questionnaire were sent out to 5000 respondents. The receivers of the survey were asked to answer the questionnaire in a position of a customer. 1243 questionnaires returned which equals with a response-rate of 24.86 %. These respondents then become separated into two types, those who prefer making exchanges on the Internet and those who prefer to make exchanges at a physical store. A framework for customer – firm relationship strength is developed from the statistical analyses, and discussed against current theory and practice. The emerging framework is presented with regard to three main dimensions of relationship strength, exchange, behaviour and the impact from connected actors.

Customer- firm business relationship and network

Introduction

During the last decade's information technology and its impact on business relationship has occupied the attention of researchers. The interface between two actors has been discussed to be either digital, "physical" or/and a combination of the both. According to Statistics Sweden, 95 % of all firms in Sweden are connected to Internet and 85 % have their own webpage (SCB 2007b). Post och Telestyrelsen found that 83 % of the individuals living in Sweden uses the internet and of these 58 % uses it everyday (Jönsson 2006). When combining the everyday users with the amount of persons who states that they uses the Internet, "not every day but each week" a figure of 76 % (Ibid) is reached. In a statistical survey from Post och Telestyrelsen, 65 % of the Swedish Internet users have made a purchase on the Internet during the last six months. These numbers are constantly growing and according to the same statistics the increase for the first quarter of 2007 compared with the same quarter 2006 where 28 % (Ibid). While the attention of researches mainly concern the impact of information technology on business relationship, issues like how and why actors consider one and avoid the other is limited. This paper follows the track of few studies and seeks to rise above the existing limitation in the field and select a comparative view. In this new field of research the aim of this paper is to study these two types of business relationship interfaces, digital/physical. The question raised is what makes customers conduct their exchanges with firms on the internet and what make most customers still carry out exchanges in "traditional" stores. The study relay on business network and focuses on the concept of business relationship strength. More specifically, the relationship is explained not only by the focal relationships but also through connected actors' impact on the digital or physical business relationship.

Earlier Contributions

To theoretically frame this study's rather empirical question of "what makes customers conduct their exchanges with firms on the internet and what make most customers still carry out exchanges in "traditional" stores", is to explore what has been written in the marketing literature regarding Internet and customers. A first glance would indicate that almost all marketing researchers seem to disagree with each other regarding the impact of the Internet. Peterson et al. state "although wide agreement seems to exist that Internet will ultimately influence marketing, there is little agreement as to exactly how the Internet will affect the structure"(Peterson et al. 1997: 333). Here it is fascinating to note that this quotation is a decade old, but the message is still relevant. Even though there is a lack of consensus of the impact from the Internet on business it is nevertheless possible to point out two radical positions. On one end of the scale it is possible to place researchers who argue that the Internet creates a perfect market (Tripts and Haubl 2003; Zettelmeyer et al. 2006). Only firms with the lowest prices will survive, mainly because of the "free-flow" of both information and product/services. Such a "survival of the fittest" view is one of the two radical positions of the impact of the Internet. The other end of the scale is researchers who argue that the Internet will create a situation with similarities to how exchanges were conducted before industrialization (Sharma and Sheth 2004; Sheth 2002). These exchange interactions in the agricultural-age created relationships between customers and producers (Sharma and Sheth 2004: 696). Farmers who produced the products or services also performed exchanges with their customers.

In the first standpoint, theoretically based in economic theory of information, the Internet is often argued to be a place where customers can search and compare offerings worldwide without leaving the safety of their armchair. The "free-flow" of information indicates that customers focuses

on “here-and-now transactions” (Arndt 1979:70) usually embodied in four clearly-definable parameters; price, product, promotion and place (Rasmussen 1955; Verdoorn 1956), instead of continuous exchanges with a specific firm. As stated by Webster, “each transaction is essentially independent of all other transactions, guided solely by the price mechanism of the free, competitive market¹ as the firm seeks to buy at the lowest available price”(1992: 5). The main empirical area of this research is the combination of information and price on the Internet (Chernev 2003; Lindsey-Mullikin and Grewal 2006; Pan et al. 2002; Trifts and Haubl 2003; Zettelmeyer 2000; Zettelmeyer et al. 2006).

There are however some researchers with an economic theory view and an empirical focus on prices and information on the Internet that have begun to question the logic behind the “survival of the fittest”. Lindsey-Mullikin and Grewal state that “Internet has not driven prices of standardized items to a common level” (2006: 241). Another empirical research area which has almost stumbled over the same notion is on-line auctions. Spann and Tellis are surprised when they find that customers “do not exhibit rational decision making in online auctions” (2006: 73). They even state that “Internet does not eliminate or lower customers’ irrational decisions as many experts expected or hoped” (Spann and Tellis 2006: 73)². Ariely and Simonson present similar finding when they state that “customers under-search and, consequently, overpay for widely available commodities” (2003: 113). That quotation does not only support the notion that customers have other priorities than the strictly economic; they also made a point of the separation between exchange of information and exchange of products. Such a separation between the two is increasingly the focus of recent studies (Frambach et al. 2007; Soopramanien and Robertson 2007; Verhoef et al. 2007). One of their main arguments in these articles is that “online shopping can be divided into browsing and buying as two separate activities”(Soopramanien and Robertson 2007: 75).

Researchers in the area of “free-flow” of information are one end of the spectrum regarding the impact of the Internet on exchanges between customers and firms. The other end of the spectrum we find researchers whom speculate that the Internet will lead to a situation similar to that in agricultural societies (Sharma and Sheth 2004: 696). They argue that the Internet deepens the interaction between customers and firms’ and therefore changes the focus from here-and-now transactions toward a more long-term perspective. This will in turn lead toward a situation where customers and firms’ engage in business relationships. These relationships will put a focus on activities other than the actual price. Sheth argues that the most significant antecedent for the shift toward a relationship focus is the impact of the Internet and information technology (IT) (Sheth 2002: 591). It has already been mentioned that marketing research focused on exchanges on-line is a rather under-researched topic; the same can be stated for on-line relationships.

Two research traditions, relationship marketing (Morgan and Hunt 1994; Sheth and Parvatiyar 2000) and markets-as-networks approach (Hammarkvist et al. 1982; Håkansson 1982), are thus focused on business relationships. There are at least two similarities between these theoretical traditions. First, they both developed their theoretical reasoning in a relatively non-digital setting. Secondly, they both questions “traditional” marketing’s more economic ideas of here-and-now transactions, and choose to focus instead on continuous interaction or relationship between actors. These two research traditions have thus approached and found their “answer” in two different ways.

¹ These assumption are based on market equilibrium, where a change in supply automatically generates a change in demand since every actor has access to all information in the market (Rasmussen 1955; Verdoorn 1956).

² It is not my aim to argue what is rational or not. I just wanted to show that this study’s point of departure (that customers in general do not behave as they should in traditional marketing models) is empirically found elsewhere.

Relationship marketing has focused on behavioural issues or rather social parts of the business relationship whereas the markets-as-networks tradition focuses on exchange.

Behaviour

It appears as if the debate from service marketing³, that is regarding what is a service and what is a product, has prohibited any discussion of what is actually exchanged between the actors. Hunt and Morgan define relationship marketing in their two articles as “marketing activities directed toward establishing, developing, and maintaining all successful relational exchanges” (1994: 20; 1994: 22). Dwyer et al., instead focuses on “dependence is prolonged, performance is less obvious, uncertainty leads to deeper communication, the rudiments of cooperative planning anticipation of conflict arise, and expectations of trustworthiness may be cued by personal characteristics” (1987: 12). Relationship marketing, as we interpret it through their publications (Morgan and Hunt 1994; Odekerken-Schröder et al. 2003; Sanchez-Perez and Iniesta-Bonilo 2004; Sirdeshmukh et al. 2002; Wong 2002), has a clear focus on behaviour of a business relationship. Theoretical arguments over what specific types of satisfaction, trust or commitment creates value are common topics (Delgado-Ballester et al. 2001; Eastlick et al. 2006; Moorman et al. 1992; Morgan and Hunt 1994). What benefit is it for any business venture, however, if everybody trusts you and your firm but nobody performs any exchanges? The standpoint of this study is that something always has to be exchanged to become a business relationship. Behavioural aspects are nevertheless “important lubricants” (Arrow 1974: 23) for an business relationship. One slight problem regarding behaviour is which construct affects what. This paper uses the two constructs of trust and commitment as they are present in both relationship marketing and the markets-as-networks tradition. The idea in this paper is that these two, trust and commitment, cannot exist without each other. A distinction here is that trust is something that has already been gained through experience from previous exchanges where commitment is connected with expectation and therefore links forward.

Trust

Even though these controversies of which behavioural aspect influences what, trust is one construct that many relationship marketing researchers include (Johnson and Grayson 2000; Lewicki et al. 1998; McAllister 1995). Trust is also (somewhat) present in the markets-as-networks tradition, “building up this trust is a social process which takes time and must be based on personal experience” (Håkansson 1982: 17). McAllister states that “available knowledge and “good reasons” serve as foundation for trust”(1995: 26). Good reasons are also something that Lewis and Wiegert use as a motivation for trust when they state that “we choose whom we will trust in which respect and under what circumstances, and we base the choice on what we take to be “good reasons”(1985: 970). In this study’s opinion, having a “good reason” is a synonym for knowledge and will be treated equally. An often quoted definition of trust is that of Morgan and Hunt, with their “one party has confidence in an exchange partner’s reliability and integrity”(1994: 23). They make a distinction from the behavioural part when they state that “we argue that willingness to act is implicit in the conceptualization of trust...and should be viewed as an outcome (or, alternatively, a potential statement) of trust and not as a part of how one defines it” (Ibid: 23). In this study, willingness to act is rather part of the definition or as Moorman et al. state “if one believes that a partner is trustworthy without being willing to rely on that partner, trust is limited” (1993: 315). Therefore this study’s definition of trust is “confidence in our knowledge that exchange partners (firms or people) will perform a particular action and not fail us”. The confidence is built from knowledge of previous

³ Service marketing researchers (Berry 1981; Edvardsson et al. 2005; Parasuraman et al. 1988) is often considered to be a forerunner to relationship marketing (Mattsson 1997: 451; Sheth 2002: 590).

exchanges between the actors. Often referred to as the founding fathers of “knowledge-based trust” are Lewicki and Bunker they state that knowledge-based trust “develops over time, largely as a function of the parties having a history of interaction”(1996: 121).

Commitment

Cook and Emerson believed that commitment was central in distinguishing social from economic exchange (1978: 728). They assumed that economic exchange does not by itself form a business relationship, something that this study agrees with. This study uses the commitment definition of Crosby and Taylor who state that commitment is a “tendency to resist change” (1983: 414). This way of reasoning is also something Cook and Emerson (1978) consider in their paper when they state that “an actor is said to be committed to another actor... to the extent that choice of current exchange partner, from among alternative partners, can be predicted from previous partnership”(1978: 728). A perception of a consistent course (Becker 1960: 35) or “commitment inputs” (Gundlach et al. 1995: 79), are hardly possible to use as inputs in another exchange relationship. These perceptions are relationship specific, a similarity with trust in this study. All this leads to the notion that to “follow a consistent course” is not the same as always chasing the lowest price as price differs between the actors. Therefore in a customer – firm setting, sacrifices and pledges, which are often used as a definition of commitment, are rather seen here as idiosyncratic investments in a specific relationship. This is a type of investment that is “difficult or impossible to redeploy to another relation; therefore, they lose substantial value unless the relation continues”(Anderson and Weitz 1992). This reasoning has similarities with service marketing literature where Bendapudi and Berry discuss “constraint-based relations”(1997: 17) or “calculative commitment” (Gilliland and Bello 2002: 28).

Exchange

Researchers in the markets-as-networks approach (IMP-Group), as in service markets, found it difficult to apply the marketing management ideas. It resulted in the notion that firms did not behave as the economic theories prescribed, but rather tried to minimize total costs through co-operation with suppliers/customers. The atomistic free movement in the market was not happening. Firms did not chase the cheapest price of a product. These researchers found that industrial firms had stable relationships (continues exchanges) with other firms (Hammarkvist et al. 1982; Håkansson 1982; Hägg and Johanson 1982). A difference from the relationship marketing view is their focus on business exchanges. Another difference is the markets-as-networks approach interest in embeddedness (Hadjikhani and Bengtson 2006; Hadjikhani and Eriksson 2000; Hadjikhani and Seyed-Mohammad 1997). Johanson and Mattsson (1987) separate exchange into business, information and social exchange. That notion is inline with the recent research in on-line shopping which divides between browsing (information exchange) and buying (business exchange) (Soopramanien and Robertson 2007: 75). This paper is in line with on-line shopping research that we separate exchange into information and business. Social exchange is here categorised as behaviour.

Information exchange

Much of what has been written on information in customer - firm settings is based on economic theory of search, according to Moorthy et al. (1997). That theory was first introduced by Stigler (1961) who theorised that information on price is the only information needed. He even argues that price is the only difference in exchange, in his words “it would be metaphysical, and fruitless, to assert that dispersion is due to heterogeneity” (1961: 214) in the exchange. Another aspect of

Stigler's economic theory of search is that all actors in a market have all of the information they need available. A first basic assumption in this paper is that not only information on price is exchanged between a customer and a firm. A second basic assumption in this study is that no actors have full information of all available alternatives and/or all possible outcomes. The quest is rather how to "utilize information not given to anyone in its totality" (cf, Hayek 1945) than to evaluate given options. Here a customer can exchange information either directly with a firm or through two types of connected actors. The direct exchange between a customer and a firm can either be mediated with or without human voice. The connected information exchange is either through social actors or producers. In both cases the connected information exchange is only of importance if it influences the focal relationship between a customer and a firm.

Business exchange

Focus in this paper is on what is actually exchanged between the actors such as product, service, technology and finance/monetary. It has similarities with what Hadjikhani and Thilenius refer to as the flow of products, services, technologies, and finances (2005: 23). It is thus not this study's aim to investigate the flow. Instead the focus here is on the existence of the exchange. One of the fundamental ideas in this study is that there cannot be any business relationship without anything exchanged between a customer and a firm. Information exchange is of importance but without any business exchange it loses its impact. Therefore the frequency of the business exchange is fundamental to a business relationship. An outcome of the more long-term perspective of business exchange is adaptation. As the actors have a longer perspective than the "here-and-now" transaction, it leads to an urge to adapt to each other. Implicit in the discussion is also the notion of heterogeneity. The link between frequency and heterogeneity is that the use of the service/product exchanges depends on history and future for the involved actors. Therefore the heterogeneity is in the perception of the service/product.

Every current exchange (episode) has a history and a future for the involved actors. It also means that the service yield is not given; instead it varies depending on the perceptions of the customer - firm relationship. The link between the exchange at hand and previous/future exchanges and the heterogeneity of what is exchanged are two essential parts of what is considered to be an exchange in this study. This leads to the notion that the role of business exchange is to coordinate the activities and resources controlled by one actor with the activities and resources controlled by another actor (Johanson and Mattsson 1994:323). It resembles Alderson and his view of "the perfectly heterogeneous market" (1965: 29). His point is that "each segment of demand can be satisfied by just one unique segment of supply" (Ibid). The notion of heterogeneity is also a conclusion in one of the early articles on the topic of marketing and the Internet (Alba et al. 1997). It can also be as Snehota argues that an exchange between two actors where one of the actors appears to exchange a homogeneous product or service, still is heterogenic if the other actor perceives it to be heterogenic (1990:97). In other words, heterogeneity of a business exchange is created as much in the production as in consumption (use). Connected business actors in this study are defined as producers and the distribution system.

Analytical Construction – Strength of Ties

This study's aim is to reach a deeper understanding of what makes customers conduct their exchanges with firms on the internet, and what make most customers still carry out exchanges in "traditional" stores. In the previous reasoning continues exchange and relationship behaviour where considered to be the building blocks of the relationship between the actors. The theoretical notion of exchange was mainly taken from the markets-as-networks tradition and the theoretical notion of

behaviour was mainly taken from service/relationship marketing. This study is certainly not the first to state that economic exchanges are embedded in a social context, “there is evidence all around us of the extent to which business relations are mixed up with social ones”(Granovetter 1985: 495). This studies standpoint is that a single exchange does not lead to a relationship between a customer and a firm. Neither does repeated exchanges by it selves (Barnes 1994). Here the single exchange (exchange episode) creates “cliff-hangers”⁴ in the form of behaviour. The behavioural part of a business relationship consists of sediments from previous exchanges with the same exchange partner which leads to sentiments. These sentiments take time and personal experience to build (Anderson and Narus 1990; Hadjikhani and Seyed-Mohammad 1997; Håkansson 1982). To be able to investigate this papers research aim a separating mechanism is needed. A mechanism that can not only separate “digital” relationships from “physical” but also a mechanism that can separate different types of relationships.

Strength is a well researched area, especially in sociology (Friedkin 1980; Granovetter 1973; Krackhardt 1992) but also in other research categories such as international business (Hansen 1999) and customer marketing and in the markets-as-networks tradition (Hallen et al. 1987). As strength is a continues-variable, the concept gives implications of differences between relationships. Granovetter separates the importance of weak and strong ties with “weak ties provide people with access to information and resources beyond those available in their own social circle; but strong ties have greater motivation to be of assistance and are typically more easily available” (Granovetter 1983: 209). In this quote there are two theoretically interesting features. First, not only does information flow in these networks, but resources are of importance and secondly, that “strong ties have greater motivation to be of assistance and are typically more easily available”. This leads us to a notion that the strength of a tie is the sum of two separate parts, where one part is the flow of information and resources and the other part is the motivation of being assistant. The first part focuses on exchange and the second part focuses on behaviour. These two are the same separation used in the building blocks of a relationship between a customer and a firm. Therefore it seems that strength functions of the relationship. The discussion leads to as illustrated in Figure 2 four types of relationship strength in a four cell two dimensional matrix. The model has behaviour on the vertical axle and exchange on the horizontal, which form four different combinations. In an article Bensaou (1999) presented a similar separation of relationships.

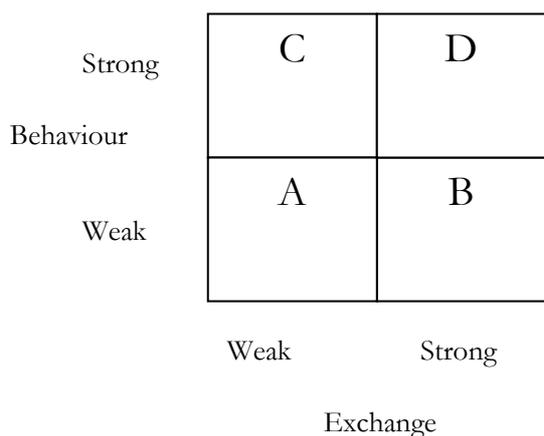


Figure 1:1 Four cell two dimensional matrix of Relationship strength

⁴ The idea is that it works the same as soap-operas where every show ends with cliff-hangers, something that makes the TV-customers come back for more. In business there are no dead bodies found in closets. Instead the cliff-hanger creates results in the form of behaviour.

Cell A represent business relationships with both weak exchange and weak behaviour. It has similarities with Jackson's transaction based category "always-a-share"(1985). **Cell B** equals with a strong exchange but a weak behaviour. This is what Gadde and Håkansson categories as "simple" relationships (2001: 142). A customer makes the same exchange over a long period of time out of convenience which is not a stable situation over time. One of the assumptions in this paper is that exchanges lead to cliff-hangers in the form of behaviour. But, as Barnes (1994) and other have already stated exchange is separated from behaviour. **Cell C** is characterised by its irregularity and lack of continuity. Regardless of the reasons behind the lack of continuity, a strong behaviour is needed for the business exchange to happen. Both actors need to feel confident in their expectations that the exchange partner will perform a particular action and not fail. **Cell D** the strongest form of customer – firm business relationship. As Jackson rightly points out, if a customer is in this category he or she is "lost-for-good" (1985: 122) for other firms. It takes time to come to this level of strength as the customer have to make continues business exchanges with the same firm. The significant difference between cell C and cell D is the continuity of exchange. The reason why customers are "lost-for-good" is illustrated in the "iceberg model" (Gadde and Håkansson 2001: 8). The model shows that price is only part of the cost of purchasing, other costs is more expensive such as administrative and goods handling costs, which is possible both in "traditional" stores and on the internet.

Method

Up until now, the focus in this paper has been on building a theoretical framework of the four cell two dimensional matrix of customer – firm relationship. The aim of the model is to find a way to generate a deeper understanding of what makes customers conduct their exchanges with firms on the Internet and what makes most, customers, still carry out exchanges in "traditional" stores. This part will discuss and describe how that model is used in an empirical setting.

To investigate the question asked in this paper a quantitative questionnaire which included 141 questions were sent out. The receivers of the survey were asked to answer the questionnaire in a position of a customer. The survey where part of a bigger project directed at focusing on the business relationship between customers and firms and impact from connected actors. The focus in this paper is on the questions aiming towards the constructs, exchange and behaviour with the influence from connected actors. Interesting for the study was not only the focal exchange and behaviour between the customer and the firm but also the impact from connected actors. Exchange becomes separated into questions regarding business exchange and information exchange. Behaviour becomes separated into questions regarding trust and commitment. Connected actors become separated into the two categories social connections and business connections.

5000 questionnaires where sent out to a random number of respondents. 1244 questionnaires returned which equals with a response-rate of 24.86 %. The respondents then become separated into two categories depending on if they had answered the question with banks or air travelling in mind. 916 of the 1244 (73.6%) returned questionnaires had been answered with airlines/travel in mind. As the two options, airlines and banks, had equal probability, it can be regarded that 2500 of the 5000 questionnaires were aiming towards airlines and 2500 were aiming toward banks. In that view, the response rate for those focused on airlines becomes (916/2500) 36.64 %. The respondents with air-travelling in mind then become separated into two types, those who prefer making exchanges on the Internet and those who prefer to make exchanges at a physical store. Rather vaguely these two types will be named IT group and Store group.

Empirical study

Twenty-one statements were used to further investigate the relationship between exchange and behaviour. Seven of these were aiming towards either business or information exchange, whereas eight were focused on trust and commitment. The final six statements were aiming towards the two types of connected actors. The idea in this paper is that exchange creates behaviour which leads to a business relationship, which both is influenced by connected actors. The repeatedness of exchange and behaviour with the same business actor strengthen or weakens the business relationship strength. Combined into six construct figure 1:2 illustrates the mean for the two groups as well as the t-value. Interesting to note is that in all cases but one there is a significant difference between the Store and IT group. The only case where the statistics show no difference is regarding social connections.

Construct	Mean Store	Mean IT	t-value	Df	Significance (2-tailed)	Mean Difference
Information exchange	4.43	5.65	-16,166	858	.000	-1.224
Business exchange	3.97	4.38	-3.818	902	.000	-.434
Trust	5.01	4.72	3.776	814	.000	.289
Commitment	4.19	3.90	-3.319	871	.001	-.301
Social connections	3.68	3.56	1.313	890	.190	.120
Business connections	3.67	3.42	3.019	703	.003	.248

Table 1:1 Constructs

Exchange

Table 1:2 illustrates the two exchange constructs' correlation to each other. The numbers in the Pearson correlation matrix show no statistically significant correlation between the two Exchange constructs. The correlation for both groups is in fact negative. This indicates at least two points, first that the measurement for the two exchange constructs are well separated; these two constructs cannot be considered to measure the same phenomenon. Secondly, the negative numbers indicate that the more a customer performs/conducts business exchanges, the less the same customer performs/conducts information exchanges. The negative correlation is not significant but the numbers hint towards this. This is of significant interest in this study. The high business exchange/low information exchanges are here used as a proxy for the idea that exchanges create behaviour, which is one of this study's theoretical foundations. Another "proxy" for the same notion is that information exchanges for the IT group are higher than for the Store group. The average for the Store group is 4.43 compared to 5.56 for the IT group. Comparing these numbers with the relatively low amount of business exchanges carried out on the Internet, 28 % purchased their travel on the net during 2007 (SCB 2007a). Nobody seems to know the "real number" but in the air-travel business a commonly-cited figure is that 20 % of the business exchanges are conducted on the Internet (Danielsson 2006; Johansson 2005; Käll 2005). Still, only every fifth business exchange is carried out on the Internet. This could be explained by the correlations in Table 8:1 by the notion that a large amount of information exchanges leads to low amounts of business exchanges.

Exchange		Information (Store)	Information (IT)
Business (Store/IT)	Pearson Correlation	-,031	-,019
	Sig. (2-tailed)	,535	,685

	N	412	448
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Table 1:2 Exchange correlations

The lack of correlation between the variables is on the one hand an obstacle for a single scale. It is on the other hand an important aspect as it indicates that the two types of exchange are measuring different aspects of the exchange between customers and firms. In that way they are part of the same phenomenon. Figure 8:2 shows the distribution of answers when the two constructs regarding exchange are combined. The Store group forms an almost perfect normally distributed curve. The curve for the IT group is also rather normally distributed but skewed towards the totally agree end of the scale. The average for the Store group is 4.30, whereas the average for the IT group is 4.76.

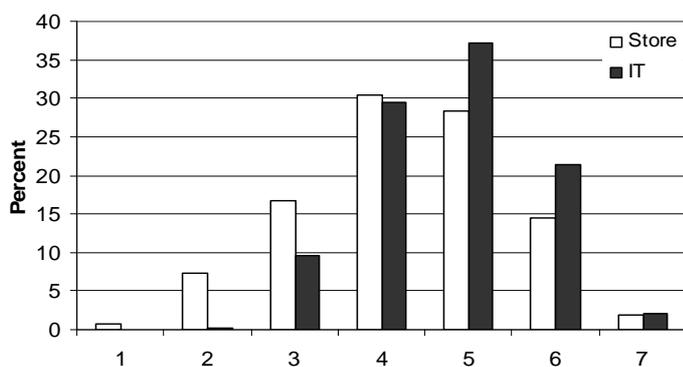


Figure 1:2 Exchange

Behaviour

In the same manner as for Exchange, Behaviour consists of two constructs. Here behaviour is formed through commitment and trust. Commitment, the second part of behaviour in this study, was defined the same way as Crosby and Taylor who state that commitment is a “tendency to resist change” (1983: 414) which leads to the notion that the customers “follow a consistent course” (Becker 1960: 35). In the same manner as for Exchange, the two construct, trust and commitment, will be united into a Behaviour scale. A similarity between Exchange and Behaviour is that the two constructs involved do not correlate. The combination of the two is therefore based on theoretical notions instead of statistical ones. In one way it would be excellent if the two constructs, in this case trust and commitment, were correlated. That could perhaps have indicated that they were the same phenomenon. The lack of correlation shows instead that they represent different aspects of behaviour. Still the slight negative correlation between the two constructs neither does nor indicates that high trust equals low commitment. It simply states that they are measuring two somewhat different aspects of the same phenomenon.

Behaviour		Trust (Store)	Trust (IT)
Commitment (Store/IT)	Pearson Correlation	-,079	-,067
	Sig. (2-tailed)	,124	,157
	N	438	447

Table 1:3 Behaviour correlations

Figure 8:3 shows the distribution of answers when the two constructs of behaviour are combined into a single scale. A similarity between this scale and the scale for exchange is the low amount of

respondents at the “totally disagree” end of the scale. Not a single respondent from either the IT or Store group answered with one on the scale. Another similarity is also the low amount of respondents in the “totally agree” end of the scale. A difference from the Exchange scale is the large amount of respondents in the mid categories. The majority of the respondents in the Exchange scale also belonged to the mid parts of the scale, but here the numbers are much larger. The average for the new scale is 4.68 for the Store group and 4.29 for the IT group.

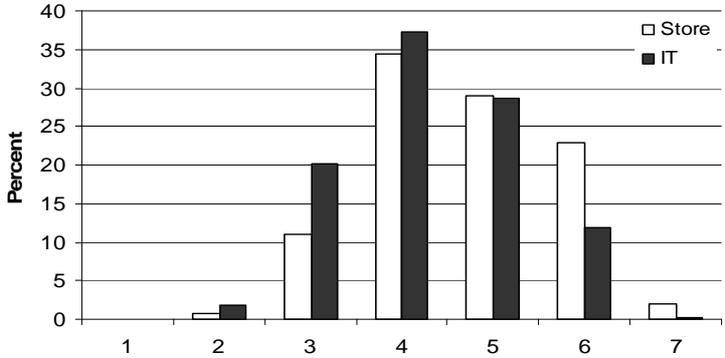


Figure1:3 Behaviour

Customer – firm relationship strength

To be able to answer this paper’s research aim which is to generate a deeper of what induces customers’ conduct their exchanges with firms on the Internet, and what induces most customers still carry out exchanges in “traditional” stores table 1:4 will be used as a separating mechanism. Table 1:4 is the same as figure 1:1, but with content. It is based on the two scales of exchange and behaviour separated into two dichotomous variables, weak or strong which in this paper are used as a separating mechanism between four different types of relationship strenght.

Cell and Group Belonging	Cell A	Cell B	Cell C	Cell D
Total	23.9%	29.6%	27.1%	19.4%
Store	14.6%	7.8%	19.9%	5.3%
IT	9.3%	21.8%	7.2%	14.1%

Table1:4 Cell and Group Belonging

Table 1:4 shows several interesting features of the strength of a customer – firm business relationship. A first noteworthy feature is that even though the numbers differ between the four cells, there are respondents in all cells. This is of importance, as it hints at one of the fundamental theoretical notions in this study; customers are not a homogeneous group in the context of group belonging, IT or Store, or relationship strengths. A second interesting feature is the actual figures in the four squares.

The separation in Table 8:3 illustrates that 14.6 % of the respondents in Cell A belong to the Store group. Comparing that number to the total amount of respondents that belong in Cell A, 23.9 %, leads to the conclusion that 61.1 % of Cell A belong to the Store group. In other words, 38.1 % of the population in Cell A is respondents from the IT-group. These numbers can be viewed as logical, as the low amount of exchange leads to a low level of behaviour, and the Store group displays less frequency than the IT group when it comes to exchanges. The numbers in Cell B are almost the

opposite from Cell A. 73.6 % of the respondents in Cell B belong to the IT group. This offers some support to the notion that customers belonging to the IT group are rather frequent in their exchange but without strong behaviour. Cell C, the weak exchange/strong behaviour, was in the theoretical chapter regarded as business relationships with high irregularity but also that the exchange includes high levels of both trust and commitment. In traditional marketing, this category is often labelled shopping goods and involves a strong information exchange prior to the business exchange. 73.4 % of the respondents in this cell belong to the Store group. These numbers are almost the opposite of those found in Cell B. It has already been discussed that customers in the Store group are less exchange-frequent than the IT group, and the majority of the respondents in the Store group belong here in this cell. These customers display strong behaviour but at the same time they are rather infrequent in their exchange. Cell D, the strong behaviour/strong exchange type of business relationship, is as already noted the smallest cell in this study. Evidence of behaviour's influence on strong exchange can be found here as 72.7 % of the cell belongs to the IT group.

Fewer customers belonging to the IT group are engaged in chasing the lowest price (Cell A) while more of these are focused on strong relationship than customers belonging to the Store group (Cell D). It is often stated in markets-as-network tradition that commitment in the form of technical lock-ins is the reason for the strong business relationship. That logic might also be the case in this particular example. A customer who has learned to use a specific Internet site such as a travel agency or an airline might find it hard to use another site. It takes time to learn to find the different options and possibilities in a booking system. If the customer is rather frequent in his or her exchange, as in Cell D, it might lead to a situation where he cannot, or has no time to, start learning a new firm's booking site/system/interface with every exchange. The customer therefore repeatedly returns to the same firm to perform exchanges. The strong exchange and the strong behaviour might thus lead to a technical lock-in which is a rather different situation than for the Store group. It must however be noted that it is mere speculation, as it is not investigated specifically in this study.

Impact from connected actors

The aim of this section is to investigate further the impact connected actors have on the focal exchange. Two different types of connections will be discussed; social actors and business connections, starting with social actors.

Social actors	Cell A	Cell B	Cell C	Cell D
Average	3.62	3.62	3.62	3.62
Store	3.59	3.58	3.78	3.98
IT	3.51	3.41	3.63	3.85

Table 1:5 Social actors' impact on the focal relationship

Several interesting notions can be drawn from Table 1:5. It is noteworthy that both cells with strong behaviour, Cell C and D, have numbers above average, while cells with weak behaviour, Cell A and B, are below. That logic is valid for both groups. A general implication of that notion is that customers with strong behaviour towards a specific firm become more influenced by socially connected actors than customers with weak behaviour. To formulate this differently, strong trust and commitment towards a specific business actor leads to a greater awareness and impact from socially connected actors. This finding can be regarded as non-logical or even strange at first. Strong trust and commitment could be an indication that there is no need to gain influences from connected actors. At the same time it is totally logical. If a customer has strong trust and strong commitment

toward a specific firm, he or she might be more engaged in discussing the firm with friends, family and co-workers. Therefore it is logical that the cells with strong behaviour should have higher averages than those with weak. This is supported by the findings of DiMaggio and Louch (1998: 631f). An often-used statement regarding commitment is that this is demonstrated if the respondent is willing to defend the firm in front of other people (cf: Morgan and Hunt 1994). This finding is in line with that reasoning. A slight difference is thus that in this study defending the firm in front of others is rather seen as an outcome of the behaviour than the actual behaviour. Another difference from the more traditional method of measuring behaviour is that in this study the customer – firm relationship can exist in different forms, it is not an on/off situation. An indication of that notion is the different averages for the two groups in the four cells.

Conducting an ANOVA test of differences in average and variance indicates that the only statistical difference is found between Cell B and D for the IT-group. In other words - given strong exchange, the impacts from connected social actors are statistically different depending on the amount of behaviour the customer has gained, at least for customers belonging to the IT group. Regardless of the non statistical difference between almost all cells, the numbers still hint at the notion that weak trust and commitment towards a firm leads to less influences from the social context. It is of interest as it also hints at the notion that social actors have more impact on the focal relationship if the customer – firm relationship has strong behaviour.

Business actors	Cell A	Cell B	Cell C	Cell D
Average	3.53	3.53	3.53	3.53
Store	3.38	3.49	3.89	3.79
IT	3.30	3.22	3.79	3.60

Table 1:6 Business actors' impact on the focal relationship

It is interesting to note that table 1:6 demonstrates the same phenomena as social actors. The two cells with above average numbers are the two which represent strong behaviour, Cell C and D. These numbers indicate that it is when the customers have gained strong trust and commitment that they become more than averagely influenced by the connected business actors. Before evolving any further discussion on the logic behind why strong behaviour leads to stronger impact from business actors it is necessary to investigate if these differences are statistically significant.

The ANOVA test showed several differences. For both groups, Cell A and C were statistically different and for the IT group also Cell B and C differ significantly. These numbers indicate that there is no significant difference between the two groups in the four cells. The differences are rather between the four different types of business relationship strength in each group. These tests show that even though the difference between strong and weak behaviour is clear in table 8:7, it is only Cell A and C that differ significantly for both groups. In other words, given that exchange is seldom conducted (weak exchange) the impact from connected business actors is statistically different depending on the amount of behaviour the customer has gained. The impact from connected business actors on customers with weak exchange but strong behaviour in the IT group also differs significantly from customers who often make exchanges but have a weak behaviour. In both cases, Cell C is involved and it is also at Cell C both groups have their highest average number. It is therefore relatively safe to state that customers who are infrequent in exchange but strong in behaviour are most influenced by connected business actors.

Concluding remarks

The aim of this paper has been to generate a deeper understanding of what makes customers conduct their exchanges with firms on the Internet, and what makes most customers still carry out exchanges in “traditional” stores. Here the result will be discussed in two parts, first regarding focal relationship and secondly regarding impact from connected actors.

The empirical study showed differences between the natures of the focal relationship between customers and firms on the Internet compared to those in “traditional” stores. The nature of the focal relationship for the “store” group showed that the majority of the respondents were rather in-frequent (weak) in their exchange but had strong behaviour towards a specific firm. In other words, they do not often make exchanges but when they do they follows a consistent course. These customers make exchanges with a single firm, but not that often. For the “IT” group, the nature of the focal relationship was different. The majority of the “IT” group’s respondents were frequent in their exchange but weak in behaviour. In other words they often buy, in this case, air-travel tickets, but they are not committed towards a specific firm.

The markets-as-networks tradition as well as service/relationship marketing has found that firms have long stable business relationships with other firms. One of the major findings from the empirical chapters in this study was that the majority of the customers are not perceived to have weak exchange/weak behaviour (market) relationship with a firm. Neither was the customers perceived to have strong exchange/strong behaviour (network) relationship with a firm. Instead the majority of the customers are found in the “mixed” form of customer – firm relationships which are relationship forms that have not been considered as an option in previous research. This finding points in the direction that there might be other forms of market behaviour than the typical market or the typical network. In the same way as researchers in markets-as-networks tradition or in economic sociology found network as a co-operational form between markets and hierarchies, this study might have found that there might not be an either/or situation between networks and markets. The empirical results from this study at least point in that direction. It is not this study’s research aim to further develop the theoretical foundation for the two “mixed” market forms, or if they even can be considered to be that. That is instead a major challenge for future research.

It is of major interest to note that the single most frequent relationship strength form for the IT group was strong exchange/weak behaviour whereas the most frequent form for the Store group was weak exchange/strong behaviour. To fully understand that logic it is of importance to be familiar with the fact that air-travelling is a highly regulated business (Rosén 2004). Also of significance is that air-travelling has been a possibility for customers since, at least, after the Second World War (Ibid). The relationship strength has had a long time to build, especially as relationship strength builds incrementally through exchanges which lead to behaviour. Re-regulation of the air-traffic market and development of the Internet as a distribution channel has made these well established business relationships come under pressure during the last decade. The notion that the majority of all customers in general make their exchanges in traditional stores gives validity to this study’s view that previous exchanges matter. The validity of the study is also indicated by the notion that the majority of the respondents in the Store group are weak in exchange but strong in behaviour. Even though customers in the Store group seldom make business exchanges they still, out of the stability in the customer – firm relationship, make their exchanges with a firm that they have a established relationship with. The logic taken from the theoretical chapter is that behaviour takes time and repeated exchange to develop. Therefore it might be fairly reasonably that customers belonging to the IT group have a weak behaviour even though they make frequent exchanges. The logic from this study is that sooner or later the customers in the IT group will gain a strong behaviour from the previous exchanges which will lead either to a strong exchange/strong behaviour relationship or if they become less frequent in their exchange behaviour, to weak exchange/strong behaviour.

The impacts from connected actor's are, according to this study, not the most efficient way to examine the research aim. The reason is simply that connected actors' impact on the focal customer – firm relationship is rather similar between “Store” relationships and “IT” relationships. That finding is thus of both academic and empirical interest mainly as it implies that customers perceive the connected actors to have the same impact regardless of relationship “platform”.

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