

# THE ROLE OF TRADE FAIR INTERACTIONS IN B2B RELATIONSHIP QUALITY

*(Work in progress)*

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## ABSTRACT

This paper aims to investigate B2B interactions at trade fairs and contribute to a better understanding of interaction behaviour in such context. The importance of understanding buyer (visitor) and seller (exhibitor) interactions at trade fairs resides in the fact that trade fairs represent a privileged field for relationship building and development. We propose a model that rests on the premise that Information Sharing and Social Interaction between buyers and sellers at B2B trade fairs, that we call socialization episodes, are vital for Relationship Quality building, which in turn is necessary for the development of Long term Relationships. Trade fairs gain added importance as an event in the sense that they offer an opportunity for interactions that lead to relationship reinforcement; an objective often ignored or not adequately explored by managers when participating at trade fairs.

**Keywords:** Relationship Marketing, Relationship Quality, Interaction Theory, Information Exchange, Social Interaction, Trade Fair

## INTRODUCTION

Interaction episodes represent a fundamental level for understanding business relationships (Håkansson, 1982). Grönroos (2004, p.103) states that “as the exchange of a product is the core of transactional marketing, the management of an interaction process is the core of relationship marketing”. Ramani & Kumar (2008, p.27) also argue that “the ability of firms to orient themselves to interact successfully with their individual customers will differentiate them in the future”. Despite the relevance of interaction episodes and the existence of important contribution from previous research in the field (Håkansson, 1982; Dwyer, Schurr & Oh; Dwyer, 1987; Johansson & Mattson, 1987; Halinen, Salmi & Havila 1999; Holmlund, 2004; Medlin, 2004; Schurr, 2007; Ramani & Kumar, 2008), the study of this dimension warrants a deeper understanding.

Additionally, research seems to have overlooked the analysis of the context in which the interaction takes place. For example, trade fair participation represents an important marketing activity since it attracts tightly-targeted and interested audiences (Shipley, Egan & Wong, 1993). Indeed, despite the apparent importance of trade fairs little systematic research on this subject was done and there are few established guidelines on how to capitalize on these meeting occasions (Ling-Yee, 2006). Moreover, the majority of the research has been conducted from the exhibitor’s point of view, therefore neglecting the visitor’s perspective (Rosson & Seringhaus, 1995). Understanding B2B interactions at trade fairs is relevant because trade fairs can be important arenas for relationship building and development. Some researchers approached the relational dimension at trade fairs

(Rice, 1992; Rosson & Seringhaus, 1995; Hansen, 1999; Blythe, 2002, Ling-Yee, 2006); however, more empirical research is needed.

This paper attempts to bridge this gap by studying buyer-seller interactions in this specific context limited in time and space: the B2B trade fair. Our main research question is formulated as follows: What is the impact of buyer-seller interactions at B2B trade fairs on business long-term relationship quality?

In particular, we try to understand the impact of information and social interaction on relationship quality; the impact of perceived quality of interaction on relationship quality; and the impact of relationship quality on anticipation of future interaction.

To address our question, we propose a conceptual model and discuss the implications of interaction episodes on the development of existing relationships. We further establish inputs to improve marketing strategies for trade fair participation. Our contribution is twofold. First, to the relationship marketing literature for developing an understanding of the influence of some type of interaction dynamics on relationship development. Secondly to literature on trade fairs that has mainly concentrated on a transactional perspective, ignoring trade fairs as a context of important buyer-seller interactions and relationship reinforcement.

The remaining paper includes five sections. The first addresses literature review. The second presents the proposed model. The third refers the research design, the fourth systemizes the expected contribution and the fifth discusses future implications.

## **LITERATURE REVIEW**

In this section a literature review of two areas, namely relationship marketing and trade fairs, is addressed.

### **Relationship Marketing**

The concept of relationship management as a process of managing interactions between supplier and customer units has received considerable attention in Europe. In 1976, a group of researchers from different European countries created the IMP – Industrial Marketing and Purchasing Group dedicated to the study of buyer-supplier relationships in industrial markets (Turnbull, 1987). In particular, this group of researchers was concerned with how relationships are established, the factors which precipitate or hinder the development of close interaction between suppliers and customers and the way in which companies can formulate strategies for handling a portfolio of different types of relationships (Cunningham, 1980). The Interaction Approach was developed in the context of the IMP Group and is described in detail by Håkansson (1982). According to the interaction approach four main groups of variables describe and influence the interaction: variables related to the process of interaction (products and services; information; finance; social); variables characterising the parties involved (organisation; individuals); variables describing the environment (market structure; dynamism; internationalisation; social system) and variables related to the atmosphere affecting and affected by the interaction (power/dependence; level of cooperation; social distance). This approach not only involves an analysis of these groups of variables but also the relations between them (Håkansson, 1982).

Interaction episodes represent a fundamental level of theory for understanding business relationships. The hierarchy of effects travels upwards from interaction episodes, to relationships and to networks (Schurr, 2007). Networks, the highest level of analysis, offer a macro view as well

as many direct and indirect connections of companies engaged in a commercial relationship (Anderson, Håkansson & Johanson, 1994). The difference between relationships and interactions is that relationships refer to characteristics that are more generalised and more long term in nature while interactions are short term, dynamic and comprised of actions associated with exchange and adaptation between firms (Johanson & Mattson, 1987).

However, the use of two aggregation levels of interaction, i.e. short term episodes and long term processes provides, according to Holmlund (2004) an incomplete and limited analytical depth. In order to overcome this, the author proposes five levels of relational interactions namely action, episode, sequence, relationship and partner base. The idea is to gain a deeper understanding of the interaction dimension and this conceptualization helps because it sets clear boundaries for studying interactions. Actions, on the first level, comprise any kind of exchange element and thus relate to products, money, information or social contacts. Interrelated actions can be grouped into interactions on a higher aggregation level, which correspond to episodes, mentioned, for example, as short term episodes in the model of interaction. Interrelated episodes can be in turn correspondingly grouped into a sequence which forms a still larger and more extensive entity on a higher interaction level. Understanding this level of analysis is important because “the completion of a sequence constitutes a vulnerable period of time in a relationship during which the parties make crucial evaluations” (Holmlund, 2004, p. 282). The relationship, the next level of analysis comprises all sequences. All the relationships of a particular firm at a particular point in time constitute the partner base, the highest level of analysis proposed by Holmlund (2004). The interpretation and evaluation of the outcome in each level of analysis is determinant for the next level and the evaluation of a specific sequence of interaction might, for instance, have a determinant impact on the evaluation of the relationship as a whole.

The virtue of Holmlund's classification (2004) is that it sets boundaries for the study of interactions, classifying each level as a meaningful entity of analysis. However, since the study of the interaction dimension is in its infancy, we observe that the terms action, interaction and episode are sometimes used interchangeably, denoting that the boundaries of each construct haven't been clearly interiorized, yet. For example, Schurr et al. (2008) use the term interact while others use the term act. The term interact derives from the fact that individuals act, while exchange partners interact. As Schurr et al. (2008, p. 879) explain “shaking hands, exchanging hellos, and taking turns talking about a business problem, agreeing to a solution and saying goodbye suggest the interacts in a problem-solving interaction episode”.

The interaction episodes may have a generative, degenerative or neutral effect in the relationship depending on how the actors perceive them. Generative episodes have a positive effect because the outcome of the interaction increases capacity to cooperate, trust, understand and jointly benefit. Degenerative episodes have a negative effect. Neutral episodes overall sustain, but do not change, the capacity for interaction and mutual gain. Some episodes stand out as critical because they change the state of a relationship (Schurr, 2007; Schurr et al., 2008). A critical episode may be confined to a single dyad or may also affect other relationships and actors in the network and in this case it is called connected change (Halinen et al., 1999).

Important interacts involve social exchange (Schurr et al., 2008). According to Granovetter (1985, p. 481) “economic action is embedded in structures of social relations in modern industrial society”. Granovetter (1985) argues that social influence is at least as important as economic influence in Organizational Behaviour and that communication within interaction episodes is driven by desire for both economic and social gains. Macneil (1980) also refers to the importance of the social component of relationships arguing that it facilitates the economic exchange and compensates for imperfect legal contracts.

Business relationships change, grow or dissipate as a function of interaction episodes (Håkansson, 1982), going through development (Dwyer et al., 1987; Ford, 1980). The relationship development process evolves through five general phases identified by Dwyer et al. (1987) as awareness, exploration, expansion, commitment and dissolution. Each phase represents a major transition in how parties regard one another. Ford (1980) also classifies these different phases into five categories such as pre-relationship stage, early stage, development stage, long term stage and final stage, introducing the concept of relationship distance to explain the main differences along the different stages.

## **Trade Fairs Literature**

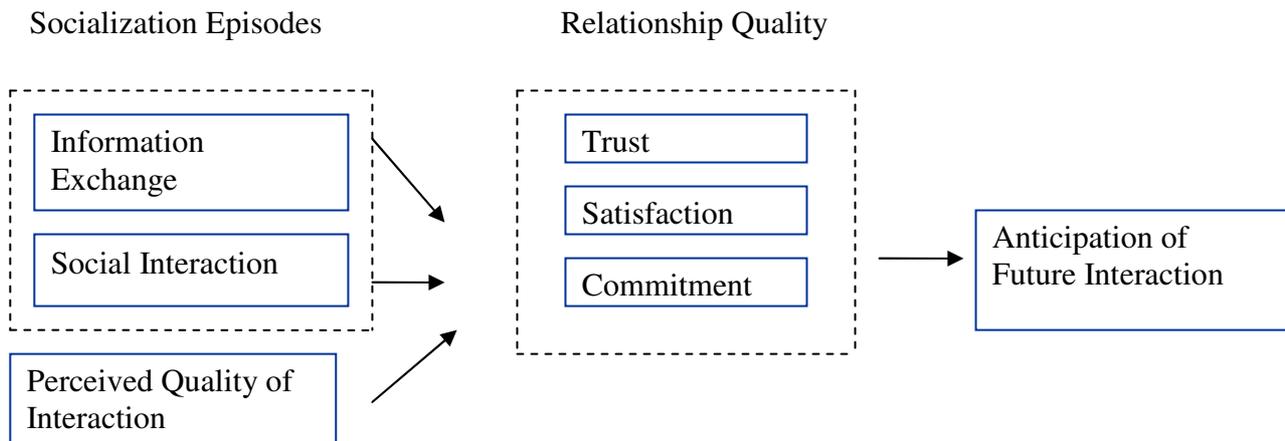
Historically, trade fairs have been viewed as an extension of a firm's personal selling effort but some authors pointed out that trade fairs have a much broader role emphasizing the promotional and relational dimensions (Cavanaugh, 1976; Bonoma, 1983; Shipley et al., 1993; Rosson & Seringhaus, 1995; Sharland & Balogh, 1996; Blythe, 2002). Regarding the relational perspective, the results of the research conducted by Ling-Yee (2006), based on the model of Selnes & Sallis (2003), pointed to the powerful influence of relationship learning activities on relationship performance outcomes as perceived by exhibitors at trade fairs. Learning between exhibitors and visitors is, according to Rosson & Seringhaus (1995) the key reason for attending trade fairs. Rice (1992) and Hansen (1999) also emphasize the importance of the relationship between suppliers and customers at trade fairs rather than focusing on discrete purchase occasions.

Trade fairs represent an important context of interaction and a relevant instrument for relationship marketing. In this dimension, trade fairs may also be conceptualized as networks since they are a microcosm of the industries they represent. Besides the interaction between buyers and sellers, these events also represent an important arena for interaction between a multitude of other relevant actors of the market, such as service providers, partners, industry and regulatory bodies all gathered in one place to do business (Rosson & Seringhaus, 1995).

## **PROPOSED MODEL**

Based on the literature a conceptual model was developed (Figure 1). The model rests on the premise that relational exchange, that we call socialization episodes at trade fairs, are important to the reinforcement of relationship quality, which in turn is necessary for the development of long term relationships.

**Figure 1**  
**The Role of Trade Fair Interactions in B2B Relationship Quality**



Socialization episodes at trade fairs comprise the exchange of information and social interaction. These interaction dimensions are useful to reduce distance and uncertainty, strengthening the relationship (Hansen, 1999).

Social exchange enables the two sides to get to know each other better and to understand each other's objectives, so that, when problems do arise, they are quickly resolved. This interchange does seem to foster closer and more trusting relationships (Campbell, 1985). By sharing information and by being knowledgeable about each other's business, partners are able to act independently in maintaining the relationship over time (Mohr & Spekman 1994).

The exchange of information and interpersonal contacts are believed to produce a cooperative atmosphere between buyer and seller. Thus, buyers and sellers need to create mechanisms which facilitate the exchange of information and the establishment of personal relationships between members of the two firms. Various forums may encourage the exchange of information and the establishment of interpersonal ties (Metcalf, Frear & Krishnan 1992). In our conceptualization trade fairs are an example of those forums, a specific context that encourages socialization episodes that lead to relationship reinforcement.

Next, we discuss the key constructs of the proposed model and present the hypotheses.

### **Definition of Key Constructs and Hypotheses**

**Relationship Quality** between customers and firms is the "degree of appropriateness of a relationship to fulfil the needs of the customer associated with the relationship" (Hennig-Thurau & Klee 1997, p.751). Crosby, Evans & Cowles (1990, p.70) define relationship quality as when "the customer is able to rely on the salesperson's integrity and has confidence in the salesperson's future performance". Smith (1998a, 1998b) conceptualizes relationship quality as being manifested in three related constructs: trust, satisfaction and commitment but overall it is agreed that relationship quality is composed by at least two dimensions: trust and satisfaction with the salesperson (Crosby et al, 1990). The best predictor of a customer likelihood of seeking future contact with a salesperson is the quality of the relationship to date (Crosby et al, 1990; Wong et al., 2007).

**Information Exchange** is defined as "expectations of open sharing of information that may be useful to both parties" (Cannon & Perrault 1999, p.441). Information sharing refers to the extent to

which critical, often proprietary information is communicated to one's partner (Mohr & Spekman, 1994). The exchange of information may be transferred between the parties by either personal or impersonal means and it may express different degrees of formality (Håkansson, 1982). Scholars in general conceptualize information sharing in terms of formal and informal sharing of timely and meaningful information between parties in an empathetic manner (Anderson & Narus, 1984; Morgan & Hunt, 1994). By contacting customers on a frequent basis, answering their questions and giving them regular follow up reports; companies can develop better customer relationships (Mohr & Spekman, 1984; Wong, Hung & Chow, 2007) and foster more confidence in the continuity of the relationship (Dwyer et al., 1987). Because sharing information with customers can earn and sustain their confidence and trust, the more regularly companies share relevant information with their customers the more likely they will retain them (Crosby et al, 1990). Information sharing is said to be an essential influence on trust and satisfaction (Cannon & Perrault, 1999; Morgan & Hunt, 1994), which are in turn considered to be vital components of relationship quality (Crosby et al, 1990; Wong et al., 2007). Therefore, in the context of the B2B trade fair we hypothesize that:

H1- There is a positive effect of information exchange on the quality of the relationship

**Social Exchange** refers to “the interpersonal relationships which exist between members of the buying and selling centres” (Metcalf et al., 1992, p.29). Interpersonal relationships between members of the buying and selling firms build mutual trust which serves as a risk reduction mechanism (Ford, 1980; Håkansson, 1982; Hallén, Johanson & Seyed-Mohamed, 1991), and facilitate problem solving as well as overcoming barriers of communication (Metcalf et al., 1992). Social interaction increases the knowledge of each other, being critical in the build up of long term relationships (Håkansson, 1982). Social bonding has a positive influence on relationship quality (Smith, 1998b). Thus, it is hypothesized that in the context of B2B trade fair:

H2- There is a positive effect of social interaction on the quality of the relationship

**Perceived Quality of Interaction** is the degree to which users view interactions as productive (Moorman, Zaltman & Deshpande, 1992). Higher perceived interaction quality is theorized to promote higher level of commitment to the relationship (Scanzoni, 1979). Thus, it is hypothesized that:

H3- There is a positive impact of perceived quality of interaction on the quality of the relationship

**Anticipation of Future Interaction** is identified as a signal of an enduring long term relationship. The continuation of the relationship reflects the expectation of future collaboration on the part of the parties involved (Anderson & Weitz, 1989; Wong et al., 2007). Low expectations of future exchange would be an outgrowth of current relational problems whereas high expectations of future interchange would reflect a favourable perception of the current relationship (Crosby et al, 1990). Close to the concept of anticipation of future interaction is the construct of repurchase intention in the work of Hewett, Money & Sharma (2002), behavioural intention (Woo & Ennew, 2004) and continuity of the relationship (Anderson & Weitz, 1989) all expressing the intention to maintain the relationship in the long term. Thus, it is hypothesized that:

H4- There is a positive impact of relationship quality on anticipation of future interaction

## **RESEARCH DESIGN**

Our research combines qualitative and quantitative approaches. In phase one, we have conducted in-depth interviews with several exhibitors, visitors, trade fair organizers and industrial associations with expertise in the subject. Presently, we are developing phase two which is quantitative. To test our conceptual model, we are using a questionnaire that we are administering to visitors of one important and well attended B2B trade fair. Our unit of analysis is the relationship. The questionnaire is administered after trade fair participation, focusing on the interaction dynamics with a specific partner at the trade fair, with whom the company has a relationship prior to trade fair participation.

## **EXPECTED CONTRIBUTION**

Our research intends to offer the following contribution:

- understand the influence of some type of interaction dynamics in a specific context, limited in time and space, on the development of long term relationships, expanding the literature on Relationship Marketing;
- systemize new knowledge on the relational dimension at trade fairs, contributing to Trade Fairs literature;
- systemize information necessary to delineate and adopt more effective strategies of interaction and achieve better results in relationship management, deriving Managerial Implications.

## **FINAL NOTES AND IMPLICATIONS**

The presented framework is the result of a work in progress. However, the main purpose of the paper is to introduce the conceptual aspects of the research. By understanding the influence of some type of interaction dynamics at B2B trade fairs on the development of long term relationships, we can delineate and adopt more effective strategies of interaction, deriving managerial implications for trade fair participation.

The literature suggests that managers are not taking the most out of trade fair participation (Blythe, 2002). In many cases, companies view trade fairs as an opportunity for transactional marketing, ignoring the opportunities trade fairs offer from a relationship marketing perspective. As we argue in the proposed conceptualization, socialization episodes at trade fairs can be generators of relationship quality that in turn leads to the intention of maintaining the relationship in the future.

It is expected that our findings will give insights into how managers should explore the potential this event offers if specific relationship objectives for trade fair participation are defined and further evaluated. It is also expected that our research will provide inputs to trade fair organizers, namely on how they should consider the development of strategies that allow for close interaction between exhibitors and visitors capable of generating relationship reinforcement.

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