



Relationalism in marketing channels and marketing strategy

Relationalism
in marketing
channels

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Abstract

Purpose – The purpose of this paper is to examine the relationship between marketing strategy types – aggressive marketing, price leadership and product specialization strategies – and the extent of relationalism in marketing channels.

Design/methodology/approach – Data were collected using a self-administered survey from managers responsible for marketing and channels management in US pharmaceutical firms. The responses to the questions capturing focal constructs were measured using a five-point Likert type scale. Data were analyzed using Principal Component Analysis and Structural Equation Modeling procedures.

Findings – Aggressive marketing strategy and price leadership strategy are positively associated with the level of relationalism in marketing channels. In contrast, product specialization (focus) strategy is negatively associated with the level of relationalism in marketing channels.

Originality/value – The relationship between marketing strategy and the emergent relationalism among marketing channel intermediaries is critical for the firm's ability to meet objectives. This relationship has not been investigated so far and, from a managerial perspective, managing marketing channels is critical for successful implementation of marketing strategies.

Keywords Relationship marketing, Marketing strategy, Distribution channels and markets

Paper type Research paper

Introduction

The concept of relationalism (i.e. extent to which relational norms guide the interactions between business partners) has been extensively studied within the overlapping rubrics of marketing channels (see Black and Peeples, 2005; Boyle *et al.*, 1992; Dant and Schul, 1992; Paswan *et al.*, 1998; Zhang *et al.*, 2003), logistics, and supply chain networks (Bienstock *et al.*, 1997; Davis and Mentzer, 2006; Germain and Iyer, 2006; Griffith and Myers, 2005; Mentzer *et al.*, 1989; Morris and Carter, 2005; Srivastava *et al.*, 1999; Williams *et al.*, 1997). The general consensus in the literature is that the presence of strong relational norms among marketing channel intermediaries is associated with factors such as performance (see Black and Peeples, 2005; Griffith and Myers, 2005; Kahn *et al.*, 2006; Morris and Carter, 2005), channel management and governance, and conflict resolution (Boyle *et al.*, 1992; Brown *et al.*, 2000; Dant and Schul, 1992; González-Hernando *et al.*, 2003; Jap and Ganesan, 2000; Liu *et al.*, 2008; Paswan *et al.*, 1998; Vazquez *et al.*, 2007), information exchange (Holmes and Srivastava, 1999), and competitiveness (Zhang *et al.*, 2003). Notwithstanding, to our best knowledge, the relationship between marketing strategy and the emergent relational norms in marketing channels has not received adequate research attention in the extant literature. Closing this gap in the literature is crucial given that both marketing strategy and marketing channels, including norm based governance of marketing channels, are inextricably linked to the success of the marketing function.



To this end, the focus of this study is to examine the linkages between the level of relationalism among marketing channel intermediaries and the marketing strategy.

Before proceeding any further, we would like to acknowledge that while the focus of this study is on relational norm (or relationalism) within the business-to-business context, a review of the literature shows that relationalism and relationship marketing are mutually inclusive (Christopher *et al.*, 1991; Gummesson, 1987; Veloutsou *et al.*, 2002). In fact, according to Veloutsou *et al.* (2002), the scope of relationship marketing includes external and internal and upstream and downstream constituencies. While modern marketing practices reflect the maximization of customer value, the onus of relationship marketing is reflected in the dictum proposed by Gummesson (1987) that everyone in the firm is a part-time marketer. The latter is taken further by Veloutsou *et al.* (2002) who assert that relational and transactional forms of relationships are not necessarily mutually exclusive. The authors suggest that in order for firms to engage with their dynamic target markets (i.e. business-to-business, business-to-customer, or both), and to effectively manage the relationship with them over time, firms should develop relationship marketing chains (see also, Peck *et al.*, 1999).

Pursuant to the aim of the study, the first focus of this research reflects the fact that a key marketing objective is to meet the customer's needs, wants, and aspirations and that in order to fulfill these goals, firms must manage the channel intermediaries and logistics function to ensure the effective and efficient flow of goods, information, and revenue (see CSCMP, 2005; Dant and Schul, 1992; Germain and Iyer, 2006; Gill and Allerheiligen, 1996; Larson *et al.*, 2007; Stank *et al.*, 2007). Studies in the field of channels and logistics acknowledge that marketing channel networks with strong emergent relational norms (i.e. spirit of cooperation, long term orientation, and a feeling of solidarity) are likely to yield better results. Some have even suggested that relationalism is the cure for all business problems (for example Gill and Allerheiligen, 1996; Kahn *et al.*, 2006; Noordeweir *et al.*, 1990; Womack *et al.*, 1991). However, others have taken a more cautious stance towards the linkage between the concept of relationalism and its outcomes (see Curhan *et al.*, 2008; Dant and Schul, 1992; Paswan *et al.*, 1998).

The second focal direction of this study is marketing strategy – the way in which firms create value and define their operational boundaries. The literature also stresses the importance of a good fit between marketing strategy and governance structure (see Black and Peeples, 2005; Galbraith and Kazanjian, 1986; Griffith and Myers, 2005; Mentzer *et al.*, 2001; Porter, 1980; Powell, 1992; Slater and Olson, 2000, 2001). Together, the relationalism in marketing channels and marketing strategy literature streams imply that while long term relationships between marketing channel intermediaries may be pivotal for a firm's strategy, there is some ambiguity about the exact nature of this relationship; in other words, not all strategies harmonize well with relationalism in marketing channels. To that end, this investigation focuses on the following research question:

- RQ1.* Are relational norms among marketing channel intermediaries suitable for every marketing strategy, or are some marketing strategies more suitable for relational norms while others may in fact be negatively affected by the presence of strong relational norms?

From a managerial perspective, managing marketing channels is critical for successful implementation of marketing strategies. Given the fact that governance using

relational norms is considered by most as a more effective way of managing marketing channels, managers need to be cognizant of the exact relation between emergent relationalism in marketing channel and marketing strategy.

In the ensuing sections of this paper, the literature on relationalism in marketing channels is examined, followed by a discussion on marketing strategy and the rationale for the hypotheses. The method section is presented next. The last sections include a discussion of the findings, managerial implications, and limitations of this study.

Marketing channel intermediaries and relational norms

Marketing channels typically consist of intermediaries that function in a cohesive manner to meet the customer's needs and wants while fulfilling the intermediaries' goals (see Alderson, 1954; Bowersox *et al.*, 1980). While contractual or corporate channels are not uncommon, recent studies have questioned the traditional linear perspective of the supply chain and have suggested a more complex network perspective (Achrol, 1997; Achrol and Kotler, 1999; Snow, 1997; Walker, 1997). Achrol and Kotler (1999, p. 148) define a network organization as:

an interdependent coalition of task- or skill-specialized economic entities (independent firms or autonomous organizational units) that operates without hierarchical control and is embedded, by dense lateral connections, mutuality, and reciprocity, in a shared value system that defines "membership" roles and responsibilities.

For the purposes of this research, we focus on channel intermediaries that are independent businesses and loosely aligned through consensus. They could be part of a simpler supply chain or could be part of a more complex network. In any case, to fulfill customer needs and wants, marketing channel systems or networks perform various activities such as physical distribution, warehousing, storage, flow of information, flow of revenue and profits, and logistics, to name a few (see Bowersox *et al.*, 1980; Stern *et al.*, 1996). These words also appear in some combination under labels such as supply chain management and logistics (see Bowersox *et al.*, 1995; Christopher, 1992; Cooper *et al.*, 1997; CSCMP, 2005; Forrester, 1958; Gibson *et al.*, 2005; Jones and Riley, 1985; Mentzer *et al.*, 2001; Min and Mentzer, 2000).

Despite the divergent perspectives, the importance of relational norms towards the efficient and effective functioning of a distribution channel has been acknowledged in the channels and supply chain areas (e.g., Boyle *et al.*, 1992; Dant and Schul, 1992; Ganesan, 1994; Kaufmann and Dant, 1992; Kaufmann and Stern, 1988; Mattila, 2001; Mentzer *et al.*, 2001; and Paswan *et al.*, 1998). Most researchers and practitioners in marketing channels, supply chain, and logistics agree that coordination and collaboration between channel members, and the relational norm guiding such behavior are the essence of modern day marketing channels management. From a strategic perspective, Morgan and Hunt (1994) confirm that changes are taking place in the practice and theory of business relationships; in other words, towards establishing, developing, and maintaining successful relational exchanges. The importance of developing and maintaining enduring relationships with intermediaries is also widely accepted in logistics and supply chain literature (e.g., Fugate *et al.*, 2006; Kahn *et al.*, 2006; Mentzer *et al.*, 2001).

At its core, relationalism is built on an expectation of continuity of exchange and a shift in focus towards long term payoffs based on relational norms. In support, Heide

(1994) notes that exchange partners develop joint values and expectations about what behaviors are appropriate in order to complete formal arrangements. A strong feeling of trust, cooperation, open communication, and a reduction in the adversarial feelings towards the trading partners are the core characteristics of relationalism. (While some of these sentiments have been used in the context of relationship marketing (Berry, 1983; Berry and Parasuraman, 1991; Grönroos, 1994), we use these to characterize the relationship between supply chain partners). In fact, it is suggested that network partners may even forgo short-term profits if relationalism in the network leads to long term gains. To that end, expectations of a non-economic, psychological, and social payoff may even become more important than strict transactional payoffs. Thus, relationalism is expected to mitigate the opportunistic behavior (Curhan *et al.*, 2008). In other words, firms embracing relational norms are likely to behave in a more supportive and cooperative manner with their channel partners. The mind-set of relationalism, the anticipation of continuity, and the long-term payoffs replace the no promise of tomorrow in which immediate profit is maximized (Paswan and Young, 1999). These joint values and expectations have been studied within marketing channels literature under labels such as relational norms or relationalism (see Dant and Schul, 1992; Kaufmann and Dant, 1992; Kaufmann and Stern, 1988). Macneil (1980, 1981, 1983) suggested that exchanges between business entities lie on a continuum with one end heavily oriented towards discreet exchange and the other end leaning heavily towards relational norm based exchange.

Initial conceptualization of relational norm by Macneil (1980) included nine norms. Later, Macneil added one more norm resulting in the ten most commonly used relational norms – Role integrity, Contractual solidarity, Reciprocity/mutuality, Implementation of planning, Effectuation of consent, The linking norms (restitution, reliance, and expectation interests), Creation and restitution of power, Flexibility, Harmonization with the social matrix, and Propriety of means (Blois and Ivens, 2006, 2007; Ivens, 2006; Macneil, 1983). While several scholars have used these relational norms in their investigation of business-to-business exchange relationships in various contexts, there is little agreement about the use of the term relational norms and its operationalization (Blois and Ivens, 2006, 2007; Ivens and Blois, 2004; Ivens, 2006). Ivens (2006), and Blois and Ivens (2006, 2007) have tried to make sense of this very confusing scenario and offer an interesting interpretation. Through an empirical study they found that the norms used in literature could be grouped into two clusters – norms that help in value creation (solidarity, mutuality, flexibility, information exchange, role integrity, long term orientation, and planning behavior) and norms that facilitate value claiming (conflict behavior, monitoring behavior, and power reduction). These investigations indicate that most authors using relational norms have relied to various degrees on the operationalization put forward by Kaufmann and Stern (1988) and Kaufmann and Dant (1992), and that the three norms featured in most studies are solidarity, role integrity, and mutuality.

Relying on the extant studies on relationalism (see Blois and Ivens, 2006, 2007; Boyle *et al.*, 1992; Dant and Schul, 1992; Ivens, 2006; Kaufmann and Dant, 1992; Kaufmann and Stern, 1988; Paswan *et al.*, 1998), we adopt a multidimensional perspective of relationalism that uses Solidarity, Role Integrity, and Mutuality, as its three dimensions. Solidarity refers to the importance attached to the orderly exchange norms that are accepted by the majority and captures sentiments such as trust, future

cooperation, and open communications versus discreet transaction orientation and arms length negotiation. Role integrity captures more complex expectations and roles associated with the relationships with trading partners versus an expectation of simplistic transactional role fulfillment by exchange partners. Finally, mutuality (originally labeled as reciprocity by Macneil) captures the importance associated with long-term payoffs where each party tries to balance the account book on a transaction by transaction basis; as is the case in discreet exchange relationships, by constantly monitoring, reconciling, and controlling every transaction with high degree of immediacy. In contrast, an exchange relationship based on relational norms will be characterized by high levels of trust and an expectation of continuous improvement over a pre-exchange position over an extended period of time (Blois and Ivens, 2006, 2007; Boyle *et al.*, 1992; Dant and Schul, 1992; Ivens, 2006; Kaufmann and Dant, 1992; Kaufmann and Stern, 1988; Paswan *et al.*, 1998).

Marketing strategy

Two dominant typologies have emerged in the business strategy field – Miles and Snow's (1978) typology (i.e. prospector, defender, analyzer, and reactor) and Porter's (1980) typology (i.e. cost leadership, differentiation, and focus). Of these, it appears that Porter's (1980) typology has been used extensively in marketing strategy literature (Slater and Olson, 2000) probably because it captures the way in which firms create value (i.e. differentiation or low cost) and defines their scope of market coverage (i.e. focused or market-wide). However, in the marketing strategy literature, with the exception of Murphy and Enis (1986) and Slater and Olson (2001), there is a lack of comprehensive marketing strategy classification schemes. Murphy and Enis (1986) use a framework for classifying products (i.e. convenience, preference, shopping, and specialty products) and integrate the remaining marketing mix elements (price, promotion, and distribution) into this framework. Slater and Olson's (2001) typology of marketing strategy includes aggressive marketers, mass marketers, marketing minimizers, and value marketers. These authors also found congruence between their typology and business strategy typologies by examining the effect of the interaction between the marketing and business strategy on performance (see Miles and Snow, 1978; Mintzberg, 1988; Porter, 1980). They found similarities between aggressive marketers and prospectors, mass marketers and analyzers, low cost defenders and marketing minimizers, and between differentiated defenders and value marketers. Slater and Olson (2001) also suggest that there is congruence between their marketing strategy typology and the typology proposed by Murphy and Enis (1986) –, e.g. the aggressive marketers resemble specialty product marketers; mass marketers offer broad product range, use intensive distribution, and charge low price; marketing minimizers put the lowest emphasis on marketing; while value marketers prefer to lower prices while offering high customer service.

For the purposes of this research, we rely on the strategy typology frameworks suggested by Porter (1980) and Slater and Olson (2000) to operationalize the notion of marketing strategy – Aggressive marketing (characterized by high quality, innovative products with high prices and selective distribution, and investment in advertising and marketing support functions), Price leadership (characterized by a focus on price discounts to ensure that the firm/product is not under-priced and letting the price consideration drive other activities such as purchase), and Product specialization

(characterized by limited and specialized product range with other business functions driven by this narrow focus). From a marketing perspective, product and price decisions are two of the most crucial strategic decisions faced by managers (Hunt and Morgan, 1995; Kotler, 1994). However, aggressive marketing captures a more multifaceted high value, high price, and high investment in marketing function. We chose not to use the differentiated strategy because a differentiated offer could be based on price or a unique and highly specialized product that is the outcome of aggressive R&D and marketing efforts. We next discuss the relationship between these three marketing strategies (aggressive marketing, price leadership, and product specification) and emergent relational norms amongst channel intermediaries.

Marketing strategy and relationalism in supply chain

As noted earlier, very few researchers have empirically investigated the relationship between marketing channels relationalism and marketing strategy (Slater and Olson, 2001). The importance of the relationship between marketing strategy and channel relationalism is evidenced in the strategy literature and focuses on the fit between strategy and structure (see Galbraith and Kazanjian, 1986; Powell, 1992; Slater and Olson, 2000, 2001). As firms try to adopt one or more of the three marketing strategies – aggressive marketing, price leadership, and product focus (specialization) – they may find that the extent of relational norms present in their marketing channels may not be equally suitable for all three strategies.

As mentioned earlier, aggressive marketing strategy is characterized by high-quality innovative products, close relationships with customers, extensive marketing research and market segmentation to identify premium target markets, selective distribution, and intensive advertising (Slater and Olson, 2001). For channel partners, such strategy refers to an intimate knowledge of the market, closer involvement with both the suppliers and customers, and a willingness to invest in market research and R&D. A high degree of relationalism in marketing channels is thus likely to foster closer ties amongst channel intermediaries, strong identification with the common goal, and an incline towards long term payoffs in comparison to a more transactional and short term orientation (see Dant and Schul, 1992; Kaufmann and Dant, 1992; Kaufmann and Stern, 1988; Macneil, 1980, 1981). Literature on use of power business-to-business relationships have traditionally suggested that an aggressive marketing strategy may be associated with use of power by lead channel members, however, recent thinking suggests that the use of coercive power in fact results in dysfunctional outcomes (see Cox, 1999; Geyskens *et al.*, 1999; Hingley, 2005, 2001; Kumar, 1996). To that end, we speculate that:

H1. The level of relationalism in the marketing channels will be positively associated with aggressive marketing strategy.

Product specialization (focus) strategy, on the other hand, is characterized by a more concentrated approach towards segmenting the market and targeting a narrowly defined niche market with fewer and more specialized products (consistent with the more current service dominant logic (Lusch *et al.*, 2007; Vargo and Lusch, 2004a, b, 2008), the term product is henceforth used to represent the entire range of offering – products, services, and the resultant solutions). For channel members, this strategy may translate into a shrinking business volume. Although the increased focus on

segmentation and focused targeting may prove to be a significant investment of effort and resources, the outcomes may not be commensurate with the enhanced resource allocation, especially with a shrinking scope of operation and business volume. Surely, this is not a promising picture of the firm's future in that the shrinking business may not bode very well for the relationalism amongst channel members. In fact, the literature suggests that the narrow product and market focus may be more congruent with strong and close administrative control. Lasser and Kerr (1996) found that firms offering differentiated and highly specialized products tended to rely more on highly involved control relationship with very close monitoring of behavior. A similar result was found by Slater and Olson (2000). Thus, relationalism, while conducive for aggressive market strategy, may not be as conducive for product specialization strategy. We speculate that a product specialization (focus) strategy will be negatively associated with relationalism in marketing channels:

H2. The level of relationalism in the marketing channels will be negatively associated with product specialization (focus) strategy.

Finally, price leadership strategy requires a shift in focus to lower margins and high volumes. Price leadership strategy may require intensive distribution with a focus on larger markets resembling mass marketing strategy. While Slater and Olson (2000) found that mass marketing strategy is congruent with analyzer strategy, Lasser and Kerr (1996) found the cost leaders to be low in behavioral control, contractual restriction, and manufacturer coordination with medium levels of manufacturer support. While this strategy is not likely to yield significant results in the short run, it may have a bright future due to the enhanced market coverage. Therefore, to encourage the channel members to go along with a low price strategy, managers may need to rely heavily on relational norm among channel partners with a promise of a successful future. This approach is more likely to succeed than a strong bureaucratic stance which is typically more transactional and short term in orientation. An obvious example would be Wal-Mart, which is known as a price leader and is known to use closer ties with its channel partners to achieve its objectives. Thus, we speculate that price leadership strategy will be positively associated with channel relationalism:

H3. The level of relationalism in the marketing channels will be positively associated with price leadership strategy.

Research method

The pharmaceutical industry supply chain in the USA is selected as the research context for this study because of its ever increasing complexity (Koh *et al.*, 2003) and drastic transformations over the past 15 years. As a result of a significant number of mergers and acquisitions, 60 percent of total sales in 2004 were controlled by ten large, multinational firms. The number of distributors reduced from 100 to three national companies responsible for almost 90 percent of wholesale products (Health Strategy Consultancy LLC, 2005; Yost, 2005). At a very basic level, pharmaceutical supply chain structure is described as: "pharmaceuticals that originate from manufacturing sites; transferred to wholesale distributors; stocked at retail, mail-order, and other types of retail pharmacies; subject to price negotiations and processed through quality management by pharmacy benefit management companies (PBMs); dispensed by pharmacies; and ultimately delivered to and taken by patients" (Health Strategy

Consultancy LLC, 2005, p. 1). However, an increasing push towards operating efficiencies has led manufacturers to decrease the amount of excess inventory in the supply chain and they have moved from a traditional buy-and-hold strategy towards a model based on fees for the services provided by the manufacturer. This is forcing the distributors to provide high quality and value-added services (Yost, 2005). This is further exacerbated by the fact that the pharmaceutical industry is facing challenges such as an accelerated rate of development of medical solutions, obsolescence, and duplication of its infrastructure (Prendergast *et al.*, 2004).

The pharmaceutical supply chain is also facing some interesting challenges, and emerging opportunities and threats (Prendergast *et al.*, 2004). In the mid nineties the biggest challenges in the pharmaceutical industry were seen to be R&D, marketing and sales, and business strategy (Booth, 1996). The biggest challenge today detected in the literature is the efficiency and control of the supply chain in order to assure patient care and safety (Koh *et al.*, 2003; Prendergast *et al.*, 2004; Witmer and Deffenbaugh, 2004). Counterfeit drugs, illegal internet sales, illegal importations of drugs, and the emergence of counterfeit agents, are some of the risks and vulnerabilities that the pharmaceutical supply chain in the USA is facing (Witmer and Deffenbaugh, 2004). To protect against fraud, pharmaceutical companies increase the control of their downstream distribution, especially as specialized medicines and new biotechnology solutions start flooding the supply chain (Koh *et al.*, 2003; Prendergast *et al.*, 2004).

In terms of products and services offered, pharmaceutical firms market a combination of specialty products, prescription drugs, generic, “me too”, and OTC (over the counter) products. For specialized products, dosage and consumption are crucial factors and hence a strong relationship with upstream and downstream channel partners becomes critical. In comparison, OTC and basic “me too” products require little detailing at the transaction point, and hence firms could get away with arms length transactional relationships with their channel partners. Moreover, as mentioned earlier, the US pharmaceutical industry is characterized by uncertainties due to frequent innovations, regulatory constraints, and global competition.

Given these complexities, the extent of relationalism within the supply chain could prove to be a critical factor. Thus, we infer that the pharmaceutical industry is appropriate for this study with its focus on the demand side or the downstream of the supply chain – i.e. marketing channels. The target respondents were managers heading the marketing and/or sales functions within their respective firms. An exploratory study with selected firms indicated that managers in these roles were very familiar with the focal constructs. A mailing list of 500 names and addresses was purchased from a commercial listing firm. The list was drawn randomly from a sampling frame of managers in charge of marketing and sales operations in the pharmaceutical industry. The data were collected using a nationwide self-administered survey. Two waves of the mailing resulted in 136 completed questionnaires (27 percent response rate) – 78 questionnaires in the first wave and 58 in the second wave. Respondents from the two waves were compared with one another to assess non-response bias (Armstrong and Overton, 1977). No significant difference was found in terms of the distribution channel used, respondent’s business title, total sales, number of employees, percentage of product line in the prescription drug category, or in terms of the focal constructs used in the proposed hypotheses. The second wave respondents were somewhat older, marketed more products, and a greater percentage

of their product line was in the OTC category. Further, the focal factor composite scores for the six constructs were compared across the key informants and were found to be invariant.

Measurements

Scale items for measuring the relational norms – i.e. Solidarity, Role Integrity, and Mutuality – were adopted from Kaufmann and Dant (1992) and Paswan *et al.* (1998). Measures for aggressive marketing, price leadership, and product specialization (focus) strategies originate from Lasser and Kerr (1996) and Slater and Olson (2000, 2001). Responses to all scale items were measured on a five-point Likert type scale (see the Appendix (Table AI) for the final scale items retained).

The scale items measuring aggressive marketing, price leadership, and product specialization (focus) strategies were first subjected to Principal Component analysis. The scale items for each factor were next checked for internal consistency (see Table I), and then subjected to confirmatory factor analysis using structural equation modeling procedure (Anderson and Gerbing, 1988; Bagozzi and Yi, 1988; Bollen, 1989; Jöreskog and Sörbom, 1996). The Alpha scores and CFA fit indices are presented in the Appendix (Table AI). All the Alpha scores were above 0.70, indicating acceptable levels of internal consistency (Nunnally, 1978). The fit indices (GFI, AGFI, NFI, RMR, and RMSEA) for the single factor structures were also above the acceptable levels for all factors (Bagozzi and Yi, 1988). For solidarity, role integrity, and mutuality, negatively worded scale items (denoted by R in Table AI (1)) were reverse coded prior to computing the composite scores for each of these constructs. The scale items measuring aggressive marketing, price leadership, and product specialization (focus)

	1	2	3
<i>Aggressive Marketing Strategy (AGRM)</i>			
st10	We always try to develop new markets	0.818	
st9	We put a lot of emphasis on new product development	0.813	
st11	Our marketing policies are very dynamic/aggressive	0.787	
st18	We respond to our competitors' actions fairly quickly	0.739	
<i>Product Specialization (Focus) Strategy (SPCL)</i>			
st2	Our product range is limited		0.801
st5	We deal with only specialized products		0.797
rst7	(R)We deal with a broad range of products		0.765
ms3	We're more of a specialty manufacturing company		0.759
<i>Price Leadership Strategy (PRICE)</i>			
ms5	We're the discount price leader		0.858
ms4	We will not be under-priced		0.846
ms6	We pay a lot of attention to buying to give our customers the lowest price		0.756
Percentage of variance explained (Total = 66.53)	24.236	23.140	19.157
Alpha score	0.815	0.805	0.780
Mean	2.356	2.833	3.578
SD	0.767	0.926	0.782

Table I.
Exploratory factor
analysis – marketing
strategy

strategies were used in their original form in subsequent analysis. The composite scores for the dimensions of the relational norms and the original items measuring three strategies were next checked for discriminant validity using inter-factor and item correlation (see Table II). In general, inter-item correlations within constructs were higher than correlations across constructs, thus satisfying the essential criteria for discriminant validity (Churchill, 1979, 1995). These evidences provide indications of acceptable reliability (internal consistency) and convergent and discriminant validity for the scale items used in this study.

Hypotheses testing

The hypothesized relationships were tested using the structural equation modeling (SEM) procedure (Anderson and Gerbing, 1988; Bagozzi and Yi, 1988; Bentler and Chou, 1987; Bollen, 1989; Jöreskog and Sörbom, 1996). Figure 1 presents the SEM Model tested (the error terms of ε and δ are not shown). Consistent with the study by Paswan *et al.* (1998), composite scores were used for the Solidarity, Role Integrity, and Mutuality constructs. For Aggressive Marketing, Product (offering) Specialization (focus), and Price Leadership strategies, the original scale items were used in the structural equation model. The results of the SEM analysis are presented in Table III.

On the measurement side of the model, all the λ s are significant except for the one linking mutuality with relational norm (this path also had the weakest loading in the source study by Paswan *et al.*, 1998). The global fit indices of the model (Bagozzi and Yi, 1988) are within acceptable limits ($\chi^2 = 90.00$, $df = 74$, p -value = 0.10; RMSEA = 0.041; GFI = 0.91; AGFI = 0.87; NFI = 0.90; NNFI = 0.97; CFI = 0.98; and RMR = 0.049). (An alternative model was tested using all 16 original scale items measuring the relational norms capturing a single latent construct – relational orientation on the exogenous side – and the 11 scale items measuring three strategy options on the endogenous side. The fit indices were extremely poor – i.e. $\chi^2 = 721.80$, $df = 321$, p -value = 0.00; RMSEA = 0.098; GFI = 0.71; AGFI = 0.65; NFI = 0.72; NNFI = 0.80; CFI = 0.82; and RMR = 0.11. Moreover, the signs associated with the gamma weights connecting the construct of relationalism and the three marketing strategies were similar to the one found in the proposed model. Thus, for the sake of parsimony and model fit consideration, we rely on the model in Figure 1 with the results in Table III.) The structural relationships are all significant and in the hypothesized direction, and hence provide support for the three hypothesized relationships:

- H1.* Relationalism is positively associated with the aggressive marketing strategy. (Supported – positive γ , t -statistics = 3.23).
- H2.* Relationalism is negatively associated with the product specialization (focus) strategy. (Supported – negative γ , t -statistics = -3.59).
- H3.* Relationalism is positively associated with price leadership strategy. (Supported – positive γ , t -statistics = 3.65).

Conclusions and managerial implications

This study has attempted to respond to the paucity of empirical examination of the integration of relationalism and marketing strategy in supply chain networks. Moreover, the results provide support for the notion that relationalism, while desirable for inter-firm and supply chain management, is not conducive for all marketing strategies. The latter

	Zsolid	Zrolint	Zmutual	st9	st10	st11	st18	st2	ms3	st5	rst7	ms5	ms4	ms6
Zsolid	1.000	0.181	-0.013	0.142	0.098	0.129	0.176	-0.244	-0.098	-0.125	-0.241	0.072	0.060	0.222
Zrolint	0.374	1.000	0.079	0.068	0.108	0.076	0.054	-0.199	-0.176	-0.135	-0.183	0.132	0.188	0.192
Zmutual	-0.033*	0.198	1.000	0.132	0.088	0.043	0.008	-0.016	0.008	0.033	-0.026	0.017	0.113	0.085
st9	0.186	0.088*	0.209	1.000	0.584	0.493	0.514	-0.287	0.045	-0.033	-0.294	0.064	0.177	0.227
st10	0.158*	0.172*	0.172*	0.593	1.000	0.453	0.363	-0.294	-0.063	-0.060	-0.268	0.021	0.054	0.161
st11	0.204	0.118*	0.082*	0.484	0.561	1.000	0.460	-0.236	-0.072	-0.103	-0.199	0.121	0.064	0.218
st18	0.278	0.084*	0.016*	0.504	0.449	0.551	1.000	-0.335	-0.136	-0.161	-0.304	0.080	0.095	0.293
st2	-0.289	-0.232	-0.023	-0.208	-0.268	-0.208	-0.295	1.000	0.564	0.637	1.167	-0.140	-0.103	-0.349
ms3	-0.137*	-0.243	0.014*	0.038*	-0.067*	-0.075*	-0.141*	0.432	1.000	0.663	0.442	-0.124	0.004	-0.122
st5	-0.170*	-0.180	0.054*	-0.028*	-0.063*	-0.105*	-0.163*	0.477	0.586	1.000	0.671	-0.165	-0.183	-0.352
rst7	-0.274	-0.205	-0.036*	-0.206	-0.237	-0.170	-0.260	0.734	0.327	0.487	1.000	-0.099	-0.175	-0.416
ms5	0.133*	0.237	0.039*	0.072*	0.030*	0.167*	0.111*	-0.142*	-0.149*	-0.194	-0.098*	1.000	0.443	0.466
ms4	0.092*	0.285	0.211	0.167*	0.065*	0.074*	0.110*	-0.088*	0.004*	-0.180	-0.144*	0.589	1.000	0.501
ms6	0.298	0.254	0.137*	0.189	0.169	0.221	0.298	-0.261	-0.108*	-0.303	-0.301	0.546	0.490	1.000
Mean	2.14	2.56	2.73	2.41	2.10	2.53	2.39	2.88	2.60	2.64	3.21	4.08	3.70	2.96
SD	0.69	0.70	0.57	1.12	0.88	0.91	0.91	1.24	1.05	1.08	1.28	0.79	0.95	1.08
n	130	130	130	135	135	135	135	135	135	135	135	135	135	135

Note: *Not significant at p -values < 0.05

Table II.
Correlation – scale items
and composite scores for
relationalism dimensions

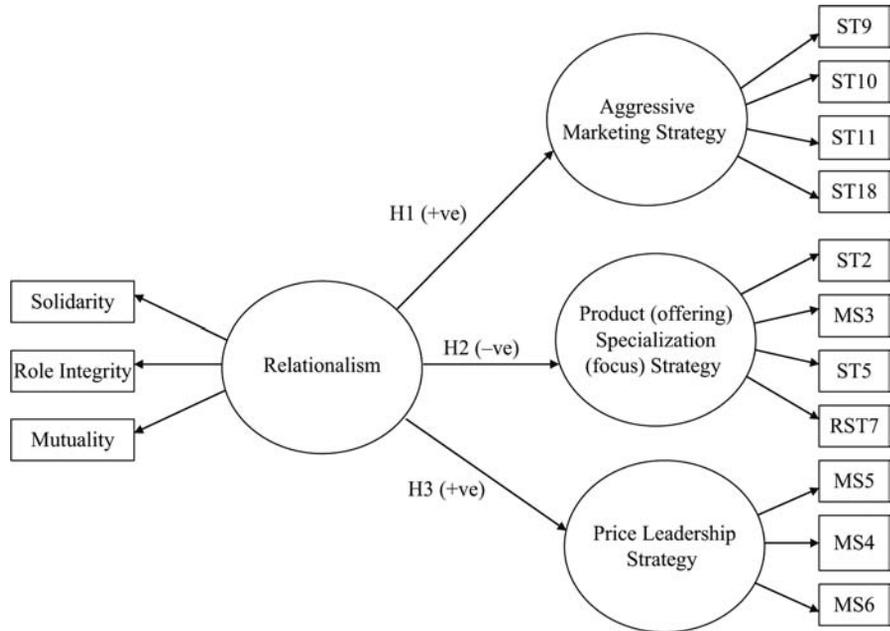


Figure 1.
Relationalism in marketing channels and marketing strategy (aggressive marketing, product (offering) focus, and price leadership)

corroborates earlier works linking strategy and its internal processes –i.e. different marketing strategies require very different supply chain governance orientation (see Galbraith and Kazanjian, 1986; Powell, 1992; Slater and Olson, 2000). This study also fills the gap suggested by Slater and Olson (2001, p. 1064) that:

[...] a fruitful area for future research is concerned with the requirements for successful implementation of the marketing strategy themselves [...] a match between marketing strategy and marketing organization structure [...]

Furthermore, our study responds to similar sentiments raised by Flint and Mentzer (2000) who call for empirical examination of the relationship between marketing, SCM, and the extent of the longevity of the relationship.

Our findings indicate that a narrowly focused specialized product (offering) strategy is strongly, but negatively associated with the presence of strong relational norm in a supply chain network. In contrast, aggressive marketing as well as price leadership strategies are positively associated with relationalism in a supply chain. In addition to managing supply chain and distribution channel networks, marketing managers have to deal with price and product (offering) related decisions. The findings of this study indicate that strategic decisions associated with price and product need different treatment in terms of supply chain relationalism. With the passage of time, as relational norms develop in the supply chain network, managers may find themselves facing a very interesting scenario. While emergent relational norms among supply chain partners may actually help with the implementation of aggressive marketing strategy and price leadership strategy, they may also hinder the firm's shift towards product specialization strategy. Thus, the intuitive appeal of developing close relationships with supply chain

Parameters	Path	Std. est.	df	t-stats
<i>Supply Chain Relationalism (ξ_2)</i>				
Solidarity	λ_1	0.57		3.69
Role Integrity	λ_2	0.49		set to 1.00
Mutuality	λ_3	0.16		1.43
<i>Aggressive Marketing Strategy (η_1)</i>				
St9	λ_4	0.76		set to 1.00
ms3	λ_5	0.75		7.73
st5	λ_6	0.73		7.58
RST7	λ_7	0.70		7.25
<i>Product (Offering) Specialization (Focus) Strategy (η_2)</i>				
st2	λ_8	0.86		9.03
ms3	λ_9	0.43		4.72
st5	λ_{10}	0.59		6.69
rst7	λ_{11}	0.85		Set to 1.00
<i>Price Leader Strategy (η_3)</i>				
ms5	λ_{12}	0.51		3.81
ms4	λ_{13}	0.45		3.60
ms6	λ_{14}	1.06		Set to 1.00
<i>Hypothesized relationship</i>				
(H1) Relationalism \rightarrow Aggressive Marketing Strategy	γ_{11}	0.51		3.23
(H2) Relationalism \rightarrow Product Specialization (Focus) Strategy	γ_{21}	-0.61		-3.59
(H3) Relationalism \rightarrow Price Leadership Strategy	γ_{31}	0.53		3.65
Ch-sq.		90.00	74	
p-value		0.10		
RMSEA		0.041		
GFI		0.91		
AGFI		0.87		
NFI		0.90		
NNFI		0.97		
CFI		0.98		
RMR		0.049		

Table III.
Test of hypotheses:
estimates of structural
equation model

partners may work very well if the firm wants to adopt an aggressive marketing as well as a price leadership strategy, because the channel partners see a long term benefit in it and may be willing to forgo short terms losses or hardships. However, close relationships with channel partners may prevent a firm from adopting a product focus strategy because the parties may not see a long term benefit in it. Thus we assert that relationalism is not an answer for all strategic questions, particularly when the strategic option is not perceived to yield long terms benefits.

Another interesting finding is the relationship between the three relational norms and the relationalism as a mega latent construct. We find that while solidarity and role integrity are significantly associated with the relationalism construct, the λ associated with mutuality is not significant ($t - stats = 1.43$). This corroborates the assertions made by Blois and Ivens (2006, 2007), in other words, “mutuality is only one of two minor contributors to the relational norm . . .” (Blois and Ivens, 2006, p. 359). A possible explanation may be that the pharmaceutical supply chain is highly relational and the

measurement items of mutuality seems to approach the relationalism from the discreet side of the continuum, and hence under-estimates the degree of relationality (Blois and Ivens, 2007, p. 564).

Our study has several managerial implications. Given that the research provides support for all of the hypothesized relationships, it has demonstrated importance for channel management and strategic marketing and hence may form the basis of managerial decisions involving downstream, and to an extent, upstream channel relationships. To this end, this research could be useful for managers in appreciating the degree of relationalism in firm channel management activities. In a sense, we assert that the findings of this study provide direction and the basic decision-making “building blocks” for managers faced with the responsibility of managing the supply chain as well as decisions pertaining to marketing strategy. It is tempting to lean towards developing strong relational norms with the supply chain network partners and to make the system work smoothly (Gruen, 1997). However, managers must be cognizant of the fact that the relational aspect of supply chain governance orientations have different relationships with different marketing strategies – they may have positive synergies with one marketing strategy and hinder another. This is because managing business relationships to create value for the parties concerned is inherently difficult given the natural variations in perspective resulting from network identity (Anderson *et al.*, 1994) and the double embeddedness of business relationships in networks (Medlin, 2003).

It is important to note that since the findings presented here are not “normative” but rather based on a deeper assessment of managerial activities, managers will always be faced with continually changing business relationships that call for the management of relationalism in marketing channels to be pursued as a continual balancing act between firms’ aims and objectives and their future strategic aspirations (Medlin, 2004). Finally, relational processes present a paradigm shift in emphasis from ownership to relationship, from governance form to processes, from hierarchical governance mechanisms to more horizontal relationship management mechanisms, and from a more static and structural approach to one that is more dynamic and longitudinal (Madhok, 2006, p. 5, cited in Vivek *et al.*, 2009). To that end, this research suggests that managers of marketing channel partners should invest in relationships geared for the long term since the deliberation of marketing strategies creates value and is said to play a pivotal role in channel relationships (see Vivek *et al.*, 2009). Above all, at the heart of this issue is the strategic requirement to shift marketing and supply chain functions from a narrow departmental approach to a broader activity that includes both marketing strategy and the relational norm between supply chain partners (see Bienstock *et al.*, 1997; Mentzer *et al.*, 1989).

Limitations and future research directions

Inevitably, this study is associated with some of the same limitations that most cross sectional studies suffer from. It is therefore worthy to note that the conclusions drawn in this study only reflect associative relationships and not causal relationships. Since marketing strategies as well as supply chain relationalism tend to be temporal in nature, a longitudinal research design would be an added bonus and goal for future studies. In addition, we focused on the demand side of the supply chain network as our research context, with single respondents who are familiar with marketing and supply chain management. It would be a worthwhile exercise for future researchers to replicate this

study in the context of the entire supply chain network, with multiple respondents from different business functions, for example, marketing, distribution, and supply chain management. In addition, it would be prudent to test the relationships tested in this study in a more complex supply chain setting. Moreover, given the shift from a goods versus service orientation towards a service dominant logic and its implications for supply chain management (Lusch *et al.*, 2007; Vargo and Lusch, 2004a, 2004b, 2008), we urge future researchers to explore the associations between supply chain relationships and marketing strategy using a service dominant logic.

Furthermore, we used only three marketing strategy types – aggressive marketing, price leadership, and product specialization. It would be naïve for us to assert that these three strategic typologies are exhaustive in nature, and hence future studies should examine more marketing strategy typologies in conjunction with supply chain governance. Finally, we only used a single industry in a single country to achieve a clean test of hypotheses. It would also be naïve for us to claim that the findings from pharmaceutical industry channels would be easily transferable to other industries. It would thus be worthwhile to test the relationships found in this study in other industry contexts where the factors such as time to market (including time for development, testing, etc.), strong R&D orientations, and the critical nature of the product or service itself may not be the norm. The generalizability of the findings of this study would also improve if it is replicated in other market environments in different countries.

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Appendix

Table A1.
Constructs, scale, items,
reliability scores, and
single factor analyses
results

Construct and the measurement items (and scale anchors)	Alpha	Ch-sq.	df	p-value	GFI	AGFI	NFI	RMR	RMSEA
<i>Relationalism – Solidarity</i> (1 – Strongly Agree and 5 – Strongly Disagree) rr1 (R)The exchange relationship our organization has with the other party could be better described as a series of one shot deals entered “one at a time” than a “long-term joint venture”	0.83	21.01	5	0.001	0.99	0.96	0.99	0.017	0.073
rr2 (R)The exchange relationship our organization has with the other party could be better described as an “arm’s length negotiation” than a “cooperative effort”									
rr3 (R)It is expected that almost all activities between the two organizations should basically be conducted at arm’s length with trust playing little or no part									
rr4 A very high level of trust is expected between the two organizations									
rr5 (R)The other party is just another supplier									
<i>Relationalism – Role Integrity</i> (1 – Strongly Agree and 5 – Strongly Disagree) r8 There are many expectations between the two organizations which go beyond the mere buying and selling of product	0.822	25.08	5	0.00	0.98	0.95	0.98	0.025	0.082
r9 The exchange relationship with the other party creates a complex web of expectations between us over all kinds of issues									
r10 The exchange relationship between our organization and the other party is extremely complicated									
r11 The exchange relationship comprises many diverse expectations about each other’s behavior									
rr12 (R)The exchange relationship is a simple buy and sell arrangement									
<i>Relationalism – Mutuality</i> (1 – Strongly Agree and 5 – Strongly Disagree) r17 (R)Each transaction is expected to be reconciled completely and individually	0.708	80.09	9	0.00	0.96	0.90	0.91	0.051	0.115
r18 (R)Our organization assures itself that the other party is acting as we expected by precisely monitoring the other party’s performance on a transaction by transaction basis									

(continued)

Construct and the measurement items (and scale anchors)	Alpha	Ch-sq.	df	p-value	GFI	AGFI	NFI	RMR	RMSEA
r19 (R)Our organization monitors performance of each transaction separately to assure compliance with expectations									
r20 (R)Expectation about the performance of the other part relates to our organization's immediate goals									
r21 (R)Even temporary fluctuations in the dealer performance are unacceptable									
r22 (R) It is expected that all discrepancies in performance or payment, no matter how small, should be investigated									
<i>Aggressive Marketing strategy</i> (1 – Strongly agree and 5 – Strongly disagree)	0.815	3.65	2	0.16	1.00	0.98	1.00	0.012	0.037
st10 We always try to develop new markets									
st9 We put a lot of emphasis on new product development									
st11 Our marketing policies are very dynamic/aggressive									
st18 We respond to our competitors' actions fairly quickly									
<i>Product (Offering) specialization (Focus) strategy</i> (1 – Strongly agree and 5 – Strongly disagree)	0.805	20.3	2	0.00	0.98	0.92	0.98	0.028	0.124
st2 Our product range is limited									
ms3 We're more of a specialty manufacturing company									
st5 We deal with only specialized products									
st7 We deal with a broad range of products (R)									
<i>Price leadership strategy</i> (1 – Strongly Agree and 5 – Strongly Disagree)	0.78	NA							
ms5 We're the discount price leader									
ms4 We will not be under-priced									
ms6 We pay a lot of attention to buying to give our customers the lowest price									
Marketing Strategy – three-factor model		193.64	41	0.00	0.94	0.91	0.94	0.066	0.079

Table A1.