

Single Source Supply Versus Multiple Source Supply: A Study into the Relationship Between Satisfaction and Propensity to Stay Within a Service Setting

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Abstract:

The relationship between buyer satisfaction and the propensity of a buyer to stay in a relationship may be more complex than earlier research suggests. Building on prior research, two facets of satisfaction are examined. Our findings suggest that satisfaction with the firm and satisfaction with the salesperson each play an essential role in a firm's decision to stay in a business-to-business relationship. In addition, our results indicate that both the number of suppliers and a buyer's perception of available alternatives moderate the relationship between satisfaction with the salesperson and a buyer's propensity to stay in the relationship.

Keywords: business-to-business relationships | buyer satisfaction | buyer-supplier relationships

Article:

Understanding customer retention is a critical issue in sales and marketing (Anderson and Sullivan 1993; Hellier et al. 2003). An improved understanding of customer retention can substantially increase a firm's profitability (Reinartz, Thomas, and Kumar 2005). Reichheld and Sasser (1990) indicate that with as little as a 5 percent increase in customer retention, companies can boost profit levels by almost 100 percent.

To explore the antecedents of customer retention, researchers have devoted attention to the development and testing of models linking satisfaction with customer retention (Cronin and Taylor 1992; Swan and Trawick 1981; Taylor and Baker 1994). Within sales, research has addressed aspects of satisfaction with the salesperson and defection intentions, which is the opposite of the intention to remain (Johnson, Barksdale, and Boles 2001). Other research has addressed the relationship between satisfaction with the selling firm and repeat purchase intentions (Anderson and Sullivan 1993).

While there is a body of research that examines business-to-business customer satisfaction, research has often failed to distinguish between satisfaction with the firm and satisfaction with the salesperson in the same study (e.g., Abdul-Muhmin 2005; Johnson, Barksdale, and Boles 2001; Patterson and Spreng 1997; Patterson, Johnson, and Spreng 1997). However, Oliver and Swan (1989b) and Reynolds and Beatty (1999) studied satisfaction with the salesperson and satisfaction with the firm in retail settings. Given existing research, examining the effects of satisfaction with the firm and with the salesperson in a business-to-business context merits investigation.

The purpose of this study is to extend the satisfaction literature in sales by addressing the way in which satisfaction with a firm and satisfaction with a salesperson affect a buying firm's willingness to remain in a business-to-business relationship.

SOCIAL EXCHANGE THEORY

Constructs in business-to-business and sales research are often linked using social exchange theory (e.g., DelVecchio 1996; Hallen, Johnason, and Seyed-Mohamed 1991). According to social exchange theory, each party in the exchange relationship compares the social and economic outcomes from the relationship to those available from exchange alternatives (Lambe, Wittmann, and Spekman 2001). Given positive exchange results over time, the willingness of both parties to maintain the relationship will increase. However, if both parties involved in the transaction are not receiving sufficient economic and social outcomes compared to available alternatives, dissatisfaction will be experienced (Thibaut and Kelley 1959). If greater benefits from an alternative exchange partner can be obtained, the purchaser will switch to the alternative (Thibaut and Kelley 1959).

Buyer's Continuance in the Relationship

Our understanding of buyer willingness to stay in a relationship has been greatly expanded since the early 1990s (Anderson and Sullivan 1993; Johnson, Barksdale, and Boles 2001; Morgan and Hunt 1994; Ping 1993). Two dominant perspectives appear with regard to relationship continuance in the literature. The first is framed in terms of defection intentions. The second perspective, the converse of the first, is called propensity to stay (PTS). Defection intentions have been researched by Morgan and Hunt (1994) and Ping (1993). Morgan and Hunt state the "propensity to leave (defect) is the perceived likelihood that a partner will terminate the relationship in the (reasonably) near future" (1994, p. 26). The second perspective, PTS, has also been researched (e.g., Anderson and Sullivan 1993). Johnson, Barksdale, and Boles state:

After the initial purchase, buyers often continue to repurchase from the same salesperson to avoid spending the time and expense required to assess new suppliers. A buyer's perception of his/her relationship with the salesperson can play an integral role in the buyer's decision to continue or terminate the relationship. (2001, p. 124)

Satisfaction

Satisfaction has been tested as an antecedent to relationship continuance in several studies (e.g., Babin and Griffin 1998; Ganesan 1994; Hellier et al. 2003; Oliver 1980; Ping 1993; Rust and Zahorik 1993; Selnes 1998; Swan and Trawick 1981). The relationship between satisfaction and repurchase intentions has been shown to be positively related in several contexts (Cronin and Taylor 1992; Patterson and Spreng 1997; Patterson, Johnson, and Spreng 1997; Taylor and Baker 1994). While overall satisfaction is an important indicator of PTS, several researchers have broken satisfaction into separate components. Work by Crosby and Stephens (1987) in an insurance setting, Ruekert and Churchill (1984) in a channel setting, and Oliver and Swan (1989b) in a retail sales setting, suggest a deeper understanding can be obtained using the effects of different facets of satisfaction on repeat purchase intentions. To further explore the relationship between satisfaction and future purchase intentions, the two dimensions of satisfaction used by Oliver and Swan (1989b) will be used in this study (satisfaction with the salesperson and satisfaction with the firm).

Satisfaction with the Salesperson

Customer satisfaction with the salesperson has received considerable attention in a business-to-consumer setting (Beatty et al. 1996; Oliver and Swan 1989a, 1989b; Reynolds and Beatty 1999; Westbrook 1981). Oliver and Swan (1989a) found a buyer's intention to deal with the same salesperson when purchasing their next car was a function of satisfaction with the salesperson. Reynolds and Beatty (1999) found that satisfaction with the salesperson was positively associated with word of mouth, increased share of purchase (based on a percent of total purchases), satisfaction with the company, and increased loyalty to the salesperson. Based on the above studies, the following hypothesis is formed (see Figure 1):

Hypothesis 1: Greater levels of satisfaction with the salesperson will be associated with higher levels in propensity to stay in the relationship.

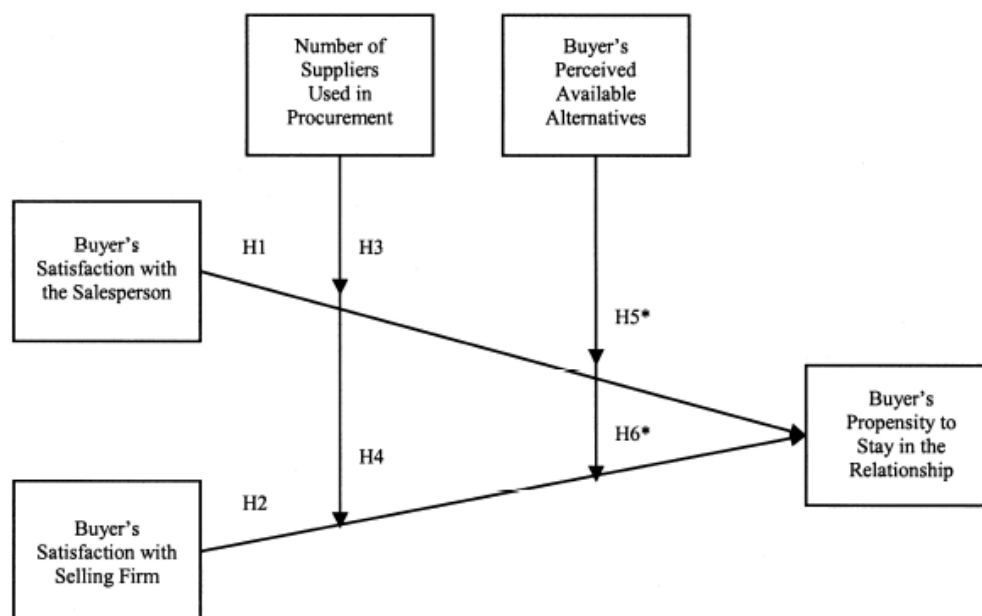


Figure 1. Salesperson/Firm Satisfaction Leading to Propensity to Stay

* Hypothesis is tested with the sole source procurement group.

Satisfaction with the Selling Firm

The second component of Oliver and Swan's (1989b) study involved satisfaction with the firm. Oliver and Swan found that higher levels of satisfaction with the automobile dealer were associated with greater product satisfaction. Reynolds and Beatty (1999) found that satisfaction with the company was associated with higher share of purchase (based on a percent of total purchases), increased loyalty to the company, and positive dealer word of mouth. Goff et al. (1997) found that satisfaction with a car dealer predicted satisfaction with the product (a vehicle) and the manufacturer. Liu and Leach (2001) found a positive relationship between supplier satisfaction and loyalty behaviors toward a given supplier. Based on the above studies, the following hypothesis is presented:

Hypothesis 2: Higher levels of satisfaction with the selling firm will be associated with increased propensity to stay in the relationship.

Available Alternatives

According to social exchange theory, if greater benefits from an alternative exchange partner can be obtained, the party that can receive more benefit from the alternative will switch to that alternative exchange partner (Thibaut and Kelley 1959). Cannon and Perreault define availability of alternatives as "the degree to which a buying firm has alternative sources of supply to meet a need" (1999, p. 444). The availability of alternative suppliers is an important consideration when a buyer is considering staying or leaving a relationship. Relationships may form out of true loyalty or because of an absence of viable alternative suppliers. Take, for example, local telephone service where virtual monopolies or actual monopolies exist, there is very little impact of satisfaction on loyalty (Jones and Sasser 1995). Hence, customers remain loyal no matter how dissatisfied they are. In other cases, a customer may buy from a single supplier based on relationship-oriented attributes.

The issue of number of suppliers used in procurement has been addressed in the marketing literature (e.g., Segal 1989; Swift 1995; Swift and Coe 1994; Vyas and Woodside 1984). When considering the number of suppliers used, a buyer may purchase from multiple sources for a given type of product or service. Given that the buyer uses multiple sources, at least one alternative is available.

Vyas and Woodside (1984) suggest firms that use multiple sources for a required product believe that using more than one source is an inexpensive method for ensuring continuity of supply and also stimulates competition among competing suppliers. Further, a supplier's reputation is an important criterion for firms that choose to use single-source procurement. Swift states, "When a firm wishes to build a long-term partnership with a supplier, as in single sourcing, relationship-oriented attributes become more important than issues such as low price" (1995, p. 108). Segal (1989) suggests that buyers using a single source were highly concerned with courtesy and helpfulness of sales personnel. Liu, Leach, and Bernhardt (2005) found that a buyer's level of satisfaction with a supplier is positively related to the share of business given to that supplier in multiple sourcing situations.

Based on literature relating to the number of sources for procurement, findings indicate that as buyers move from multiple sources of supply to a single source of supply, relationship-oriented attributes, such as satisfaction, grow more important. Thus, both satisfaction with the salesperson and satisfaction with the firm will become more important in a single-source situation than in a multiple source situation. This suggests the following hypotheses:

Hypothesis 3: The use of multiple suppliers will lessen the strength of the relationship between satisfaction with the salesperson and propensity to stay in the relationship.

Hypothesis 4: The use of multiple suppliers will lessen the strength of the relationship between satisfaction with the selling firm and propensity to stay in the relationship.

Buyer's Perception of Available Alternatives When Using a Sole Source

In the current era of close relationships between buyers and suppliers, such as those associated with just-in-time (JIT) delivery, the risks associated with switching from a satisfactory supplier are considerable (Swift 1995). In these situations, even if there are available alternatives that appear attractive from the standpoint of price or selection, a firm may be less likely to switch to one of the alternatives as long as the current supplier is performing to expectations (Gregory 1986). Jones, Mothersbaugh, and Beatty (2000), in a retail context, found that as attractiveness of alternatives decreases, the association between core-service satisfaction and repurchase intentions diminishes. While their study used buyers that relied on both multiple and single sources for procurement, additional insights might have been obtained had they split the sample and compared the firms that relied on a single source of supply versus firms that used multiple suppliers.

Hypothesis 5: In a sole source situation, as a buyer's perception of the availability of acceptable alternatives increases, the strength of the relationship between satisfaction with the salesperson and propensity to stay in the relationship will increase.

Hypothesis 6: In a sole source situation, as a buyer's perception of the availability of acceptable alternatives increases, the strength of the relationship between satisfaction with the sales firm and propensity to stay in the relationship will increase.

METHODOLOGY

Sample

Business customers of a Fortune 100 telecommunications firm were surveyed. Interviews were conducted with ten of the firm's customers, six of the firm's sales managers, and eight salespeople prior to designing the questionnaire. Insights into customer defection and retention processes were obtained during these interviews.

Questionnaires were sent to a random sample of 300 customers. Of the 300 questionnaires sent, 146 were returned. Of the 146 returned, 16 did not have complete data. Overall, a 43.3 percent usable response rate was obtained.

Table 1. Correlation/Covariance Matrix

	X1	X2	X3	X4	X5	Means	Standard Deviation
Satisfaction with the Selling Firm	1.365	0.614	0.508	-0.328	-0.083	5.640	1.168
Satisfaction with the Sales Representative	1.036	2.089	0.488	-0.435	-0.251	4.925	1.445
Propensity to Stay	0.947	1.124	2.543	-0.558	-0.295	5.082	1.595
Buyers' Perception of Available Alternatives	-0.651	-1.067	-1.512	2.884	0.314	3.9385	1.698
Number of Suppliers	-0.064	-0.240	-0.312	0.353	—	—	—

Notes: Correlations are above the diagonal, variances are on the diagonal, and covariances are below the diagonal.

Table 2. Construct Measurement Summary, Confirmatory Factor Analysis, and Reliability

Item Description Summary	Standard			
	Reliability	Loading	t-Value	Scale Type
Satisfaction with the Selling Firm (four items)	0.904			
In general, I am very satisfied with my relationship with (X).		0.91	13.17	Seven-point Likert
Overall, (X) is a good company to do business with.		0.93	13.58	Seven-point Likert
I am dissatisfied with the service I get from (X). (R)		0.71	9.14	Seven-point Likert
All in all, (X) is very fair with us.		0.79	10.61	Seven-point Likert
Satisfaction with the Sales Representative (four items)	0.952			
In general, I am very satisfied with my relationship with my firm's (X) salesperson.		0.89	12.88	Seven-point Likert
My (X) salesperson provides me with a satisfactory level of service.		0.97	15.05	Seven-point Likert
All in all, my company's (X) salesperson deals fairly with me.		0.94	14.12	Seven-point Likert
Overall, my (X) salesperson is an asset to my company.		0.85	11.98	Seven-point Likert
Propensity to Stay (three items)	0.814			
About how likely is it that during the next year your firm will continue to use (X) as your distance company? (A)		0.89	11.88	Percent
It is very likely that my firm will drop this supplier during the next year. (R)		0.60	7.05	Seven-point Likert
I am not interested in investigating what other suppliers could offer my firm.		0.80	10.36	Seven-point Likert
Buyers' Perception of Available Alternatives (two items)	0.708			
I do not feel that we could easily find a new supplier that compares favorably to (X). (R)		0.79	8.33	Seven-point Likert
I feel confident that my company would find a satisfactory supplier if we left (X).		0.69	7.47	Seven-point Likert
Number of Suppliers (one item)	—			
Currently, about how many suppliers does your firm use for service at your location?				Category

Notes: (X) = selling firm's name. (R) = reverse coded. (A) Modified to create equal weighting with the other items ((Value/(100/(7 - 1))) + 1).

Measures

A measurement model was analyzed using 16 items reported in previous research to measure four of the constructs (excluding number of suppliers). Three items were deleted from the

constructs (one from each construct—satisfaction with the firm, satisfaction with the sales representative, and PTS). The remaining 13 items provided a chi-square of 94.43 with 59 degrees of freedom ($p < 0.01$). Other goodness-of-fit indices (GFIs) suggest adequate fit (root mean square error of approximation [RMSEA] = 0.067, GFI = 0.90, and normed fit index [NFI] = 0.96). All items have large and significant loading on their latent construct, suggesting convergent validity (see Table 1). All construct reliabilities exceeded 0.70, with two of the constructs exceeding 0.90. The covariance/correlation matrix is shown in Table 2.

Satisfaction with the firm and satisfaction with the sales representative were based on Dwyer and Oh (1987). Four seven-point Likert-type items were used to measure these constructs. Buyers' perception of available alternatives was assessed using a two-item measure based on Price and Mueller (1981). Seven-point Likert-type items were used for both. PTS was measured using a three-item scale, which was adapted from Ping (1993). The number of suppliers was measured with a single item that had respondents select one of four categories. The categories asked the respondents to select how many firms they used to supply the service (1, 2, 3, or 4 or more).

Analysis

Regression and moderated regression analysis were used to test hypothesized relationships. The direct paths between satisfaction with the firm leading to PTS and satisfaction with the salesperson leading to PTS were tested using regression. The number of suppliers used was reclassified into two groups: (1) single supplier ($N = 90$) and (2) multiple suppliers ($N = 40$). Because number of suppliers was not a linear variable, Fisher's Z-tests were used to test for possible moderating effects as described by Cohen and Cohen (1983).

Next, to test for interaction effects of available alternatives with satisfaction with the salesperson and satisfaction with the selling firm, the process described by Baron and Kenny (1986) was used. In accordance with Baron and Kenny, two separate interaction variables were created to run the moderated models for buyers' perception of available alternatives. The interaction variables were placed into a regression equation to predict the dependent variable along with the two variables used to create the interaction term.

Results

A regression equation was used to test H1 and H2. The regression equation yielded significant results for both independent variables. Satisfaction with the salesperson had an unstandardized coefficient of 0.311 (standardized = 0.282) and a significant value ($p < 0.05$). Satisfaction with the selling firm had an unstandardized coefficient of 0.458 (standardized = 0.335) and a significant value ($p < 0.05$). The overall equation yielded an R^2 of 0.308. Results indicate that both satisfaction with the salesperson and satisfaction with the selling firm are positively related to a buying firm's PTS. Overall, results support H1 and H2.

To test H3, a Fisher's Z-test was conducted. This yielded significant results ($p < 0.05$ with a Z-value of 1.79). These findings demonstrate that satisfaction with the salesperson has a stronger association with a buyer's PTS in the relationship when procuring from one supplier ($R = 0.535$) than when purchasing from more than one supplier ($R = 0.240$).

To examine H4, a Fisher's Z-test was run with the two groups. The test yielded nonsignificant results ($p > 0.05$ with a Z-value of 0.86). These findings fail to demonstrate that differences exist between firms buying from a single source and firms buying from multiple sources when looking at a buyer's level of satisfaction with the firm in relation to PTS. These results fail to provide support for H4.

To examine H5 and H6, respondents who used a sole source procurement strategy were analyzed to test buyer's perception of available alternatives as a moderator between satisfaction with the salesperson and satisfaction with the firm leading to PTS in the relationship. To examine H5, a regression analysis was performed using satisfaction with the salesperson as the independent variable, PTS as the dependent variable, and a buyer's perception of available alternatives as a moderator. The interaction term yielded significant results ($p < 0.05$). The equation yielded an R^2 of 0.395, indicating that the association between satisfaction with the salesperson and PTS in the relationship is strengthened when the buying firm uses only one supplier. The interaction term suggests that as a buyer's perception of availability of alternatives increases, the importance of the relationship between satisfaction with the salesperson and PTS in the relationship also increases.

With regard to H6, a regression analysis was performed using satisfaction with the firm as the independent variable, PTS as the dependent variable, and buyer's perception of availability of alternatives as a moderator. The interaction term yielded nonsignificant results ($p > 0.05$). Results fail to demonstrate a difference in the association between satisfaction with the selling firm and the buyer's PTS when considering the buyer's perceptions of available alternatives. Thus, H6 is not supported.

DISCUSSION

Our study has several findings of interest for both managerial and academic readers. Overall, satisfaction with both the salesperson and firm play major roles in a buying firm's PTS. Results indicate that as satisfaction with the salesperson increases, a buyer's PTS in the relationship also increases, thus supporting previous research (Johnson, Barksdale, and Boles 2001; Oliver and Swan 1989a). This indicates that a salesperson should try to ensure a high level of satisfaction on the part of his or her customer—particularly among key customers. It may be partially accomplished through better identification of customer's needs and wants and ensuring customers have the needed support. It also indicates that a clear understanding of customer expectations regarding salesperson behavior at each stage of the procurement process is required.

Results of testing the relationship between satisfaction with the selling firm and the buyer's PTS indicate a positive relationship between satisfaction with the selling firm and a buyer's propensity to stay in the relationship. This finding is consistent with those of Reynolds and Beatty (1999). It indicates the clear importance of selling firms developing programs to promote satisfaction of their most important customers. One way of creating these programs would be through surveying customers and asking the sales force what customers require.

As a moderating construct, number of suppliers was found to play an interesting role between satisfaction and a buyer's PTS in a relationship. Our results extend Segal's (1989) work, providing additional evidence that differences exist between firms using single-source procurement and firms using multiple sources. The number of suppliers used moderates the relationship between satisfaction with the salesperson and buyer's PTS. Our findings suggest that satisfaction with the salesperson is very important when only one supplier is used. This suggests that if the buyer is using only one supplier, he or she must be satisfied with the salesperson or is more likely to leave the relationship than if purchasing from multiple suppliers. Given many firms' tendency to rely on sole sourcing, this finding has important implications for resource allocation to customers and the level of service provided. The number of suppliers used does not moderate the relationship between satisfaction with the firm and buyer's PTS in the relationship.

A buyer's perception of the available alternatives was also investigated with buying firms that used one supplier. The current study found a significant interaction between a buyer's perception of available alternatives, satisfaction with the salesperson, and buyer's PTS. The current study failed to find a significant interaction using buyer's perception of available alternatives as a moderator between satisfaction with the selling firm and buyer's PTS in the relationship.

Regarding the effect of available alternatives as a moderator of the relationship between satisfaction with the salesperson and PTS, results indicate that as a buyer's perception of available alternatives increased, the association between a buyer's level of satisfaction with the salesperson and PTS in the relationship strengthened. This suggests that a salesperson selling a service in markets with many alternative suppliers should focus on maintaining a high level of customer satisfaction if they want buyers to continue to procure from the selling firm. Further, if a salesperson can convey to a buyer that there are few alternative suppliers that can meet their needs, in essence creating a barrier to competitive entry for other supplying firms, the buyer's level of satisfaction with the salesperson will decrease in importance with regard to the buyer's PTS. Once again, this will probably require greater resources in terms of salesperson time in order to help insure that the firm compares well to other available suppliers.

LIMITATIONS

Like all research, the findings presented here have some limitations. First, the sample size of 130 is adequate to identify strong moderators, but a larger sample may be needed to find weaker moderators. Although the sample size may be limited, current research in a business-to-business sales context has used similar sample sizes (e.g., Mintu-Wimsatt and Gassenheimer 2004; Williams and Attaway 1996). Second, the focus of the research on one selling firm and many buying firms may limit the generalizability of this research. Finally, the strength of the relationships may change in a product setting as opposed to a service setting.

FUTURE RESEARCH

Our findings present many opportunities for future research. First, the moderating effects of number of suppliers used and availability of alternatives should be addressed with other independent variables (buyer's perception of the seller's commitment, buyer's actual commitment, loyalty, etc.). Second, different aspects of satisfaction could be investigated, such

as those proposed by Crosby and Stephens (1987) or by Ruekert and Churchill (1984). Finally, future research could use multiple selling firms and multiple buying firms to make the results more generalizable.

MANAGERIAL IMPLICATIONS AND CONCLUSIONS

In this study, the relationship a supplier has with a purchaser is split into two facets. Consistent with Anderson and Sullivan (1993), a linkage between satisfaction with the firm and PTS was found. Results are also similar to those in a retail setting (Beatty et al. 1996; Reynolds and Beatty 1999), indicating a linkage between satisfaction with the salesperson and PTS in the relationship. Specifically, satisfaction with the firm and salesperson explained 30.8 percent of the variance in PTS.

The relationship a supplying firm has with a buying firm is different when buying firms procure items from a single source versus multiple sources. When looking at firms that purchase from only one supplier, satisfaction with the salesperson explains 28.6 percent of the variance in PTS. When looking at firms that purchase from multiple sources, the amount of variance explained in the relationship drops to 5.8 percent. These findings indicate firms may need to add new techniques to encourage salespeople to foster stronger relationships and build higher levels of satisfaction with buyers who purchase solely from their firm due to the added emphasis on the relationship that the buyer has with regard to the salesperson. While most firms give these customers greater attention, current findings reemphasize the importance of making sure the salesperson is attending very carefully to the needs of sole source customers. This study failed to find any differences in buyers who purchased from a single source as opposed to those who purchased from multiple sources with respect to the linkage between satisfaction with the selling firm and buyer's PTS.

A supplying firm's relationship with a customer procuring from a single source is different when accounting for a buying firm's perception of available alternatives. Our findings present a clearer understanding of buyer's perception of available alternatives when looking at buying firms that procure from one source. Results are consistent with work by Jones, Mothersbaugh, and Beatty (2000), suggesting that buyers engaging in sole-source procurement and perceiving acceptable alternatives place more importance on satisfaction with the salesperson when making the decision to stay in the relationship versus buyers with fewer alternatives. Sales managers should allow the salesperson to interact differently with buyers based on a salesperson's perception of that buyer's alternatives. For example, if a buyer has available alternatives, the salesperson should spend more time on those activities and actions that increase a buyer's level of satisfaction. Buyers' perceptions of available alternatives failed to provide additional explanatory power in the relationship of satisfaction with the selling firm and PTS for buying firms that purchase from one source.

Overall, our results suggest several important implications beyond the importance of overall satisfaction leading to PTS. As suggested by Rust and Zahorik (1993) and Rust, Zahorik, and Keiningham (1995), this paper further identifies elements that are important to increasing customer retention. Centrally important to the framework, facets of customer satisfaction are linked to PTS. In addition, the importance of available alternatives is addressed. Consistent with

Jones and Sasser (1995), differences are found in the association between satisfaction and PTS when differences in available alternatives exist.

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