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Effect of Communication on Relationship Factors in Marketing

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Abstract: This study proposes the effect of communication on dyadic relationship using 8 factors; conflict, opportunism, unfairness, goal incongruity, cooperation, trust, satisfaction and relational norms. From a comprehensive literature review, this study provides eight relationship factors which have potential possibility to be consequences of communication. This study extends the knowledge of research on communication and relationship marketing by proposing the effect of communication on dyadic relationship factors. Also, this study repositions communication from a peripheral variable to focal one. In this way, this study provides a new perspective for capturing the role of communication in relationship marketing. This study has some bright research avenues. In terms of relationship variables, there can be additional ones, which are not considered in this study. In this regard, future research should identify more additional variables influenced by communication. There can be an approach to find some mediators or moderators between communication and relationship variables as well. In addition, any integrated framework including communication and relationship variables has a bright avenue. This study provides important and helpful insights to academics and practitioners in marketing and business with understanding and making the best use of strategies related to communication relationship marketing.

Key words: Communication, relational norms, satisfaction, trust, cooperation, opportunity, goal incongruity, unfairness, conflict

INTRODUCTION

Firms have to ensure their competitive advantages to survive and make profits. Academics and practitioners have recently paid attention on communication as a way to increase firms' outcomes (Kotler and Armstrong, 2008). Communication plays an important role in B2C as well as B2B transactions (Mohr and Nevin, 1990) and can be defined as the informal or formal sharing of meaningful and timely information between two parties (Anderson and Narus, 1990; Morgan and Hunt, 1994). If two parties can engage in sufficient and frequent communication, then they can solve existing conflicts and align their expectations. Communication can boost trust and encourage two parties to evaluate each other in favorable ways. Two parties can share their positions and concerns through communication and as a result, this favorable environment allows them to address their existing problems. Consequently, communication can strengthen relationship factors based on commitment and mitigate relationship factors based on dissolution intention (Kang and Oh, 2005; Oh *et al.*, 2004). Therefore, communication plays an important role in strengthening relationship factors. In particular, communication has received considerable attention from marketing channel researchers as well as practitioners (Mohr and Nevin, 1990).

Joshi (2009) verified that a manufacturer's communication with its supplier increases the supplier's performance. It is because the manufacturer's communication increased the supplier's knowledge and emotional commitment. Communication can be defined as control mechanism in collaborative condition reflecting substantial amounts of shared information, ordinary and routine interactions, extensive feedback and the use of rationality for influencing others (Mohr and Nevin, 1990). Mohr and Nevin (1990) suggested that bi-directionality plays an important role in communication and Joshi (2009) highlighted mutual feedback as a critical factor in communication. Mohr and Nevin (1990) suggested that non-coercive "information sharing" plays an important role in communication and Joshi (2009) regarded that rationality accepted by the partner and means to gain the partner's compliance are important factors in communication. According to Joshi (2009), cooperative communication enables partners to better understand each other's needs and expectations. Therefore, communication can enhance knowledge and emotional commitment and thus lead to the continuous enhancement of performance. Emotional commitment can be defined as a high level of unity (Kim and Frazier, 1997) or a positive emotional attachment (Gruen *et al.*, 2000). For enhanced performance, it is necessary to capture the changes in partners' values and provide what they want.

Communication means providing feedback to align expectations. Therefore, firms can link expectancy to real performance through communication (Krause *et al.*, 2000).

Previous studies of communication in marketing have generally focused on the cognitive (Flint *et al.*, 2002) or emotional (Prahinski and Benton, 2004) basis of communication. Thus, despite the importance of communication, few studies have considered the question of communication's role and why it is important. More specifically, few studies have employed communication as a focal variable (Joshi, 2009). Previous studies have generally considered communication as a peripheral variable to explain some focal variables (e.g., trust). Therefore, for continued improvements in performance, there is a need for theoretical as well as empirical analyses of the efficacy of communication. Although, communication plays an important role in relationship factors, it has received little study attention. For example, Morgan and Hunt (1994) employed communication as a peripheral variable to explain trust as a focal variable and verified that communication can foster trust. Because of such approaches, little is known about communication. In addition, no study has examined the effects of communication on various variables that hinder relationship factors, such as opportunism, goal incongruity, unfairness and conflict. And only a few studies have investigated the effect of communication on relationship variables having relationship-developing power and more less studies have investigated the effect of communication on relationship factors having deteriorating power (Kang *et al.*, 2013). In sum, little is known about communication and relationship factors and therefore it is necessary to investigate the effect of communication on various variables to hinder or facilitate relationship.

LITERATURE REVIEW AND PROPOSITIONS

This study has a comprehensive literature review on communication and relationship marketing paradigm including Joshi (2009) and Kang *et al.* (2013). The extant literature provides us with main research ideas and inspirations about this issue. The below eight propositions are based on the comprehensive literature review in marketing and business area so that they have the possibility of empirical test in and application to similar related social sciences.

Communication and conflict: According to Dwyer *et al.* (1987), conflicts are always present in dyadic relationship factors. Conflict reflects the tension caused by various antecedents such as changing prices, changing

environments and a violation of agreement and so on. Conflict can be perceived as functional when communication with a partner is frequent and sufficient, when the partner gives a sign to cooperate (Kang *et al.*, 2013; Anderson and Narus, 1990) and when trust is established. However, conflict can dissolve relationship factors when parties fail to resolve or control the conflict to a desired level (Morgan and Hunt, 1994). In a changing environment (e.g., changing prices), a party may want to make an agreement with conditions favorable to itself. In such a situation, conflict can be inflated because parties are likely to be in the fighting mode, not a conceding one. If they fail to resolve this conflict, then the relationship factors starts to dissolve. In addition, if a party violates an agreement and there is no adequate compensation or apology, then its partner is likely to be angry and search for a new partner (Kang and Oh, 2005). In terms of the relationship factors between communication and conflict, communication reduces conflict. Through the continuous exchanges of their opinions, values, requirements and feedback, parties can capture problems, sources of dissatisfaction and discrepancies and thus can search for good solutions to various problems.

Proposition 1: Communication will have a negative effect on conflict.

Communication and opportunism: In transaction cost theory, opportunism means "self-interest seeking with guile" (Williamson, 1975). Firms tend to behave opportunistically to maximize their profits. According to John (1984), the essence of opportunistic behaviors is the internal or external violation of adequate or required obligations. Opportunism reduces trust between two parties (Kang *et al.*, 2013; Morgan and Hunt, 1994). A party cannot trust a partner that has the propensity to pursue opportunism. In addition, opportunism reduces commitment, the desire to maintain a permanent relationship factors. Further, opportunistic parties tend to seek better alternatives and this often results in dissolution intention because any opportunity better than the current one can dissolve the relationship factors. Any better opportunity offered by a competitor can encourage the partner's opportunistic behavior and thus, dissolution intention (Morgan and Hunt, 1994). In general, opportunism is an antecedent of dissolution intention (Kang and Oh, 2005). In terms of the relationship factors between communication and opportunism, communication reduces opportunism through the sufficient and frequent exchange of opinions. Buyers and sellers can exchange their opinions, values, requirements and feedback through continuous interactions and eventually, capture what

their partners think, want and expect. Therefore, they can expect future situations and cope with them more effectively and efficiently.

Proposition 2: Communication will have a negative effect on opportunism.

Communication and unfairness: Recently, several studies in experimental economics have verified that consumers are motivated by concerns over fairness. Rabin (1993) conceptualized that a fair equilibrium means sharing equal fairness between two parties. This conceptualization is based on the assumption that individuals help only those who are kind to them. Microeconomics shows that consumers are selfish and motivated by fairness, not by rationality. A party perceives its partner to be fair if the ratio of input and output are identical. Otherwise, the party perceives unfairness, that is, being treated unfairly (Kim *et al.*, 2009). Unfairness is a key initiator of relationship factors dissolution (Kang and Oh, 2005, 2009; Kang *et al.*, 2013). Any perception of unfairness can motivate an unsatisfied party to dissolve the existing relationship factors and search for better alternatives, which can be parties that provide better conditions for deals and thus satisfy the unsatisfied party. In addition, unfairness can anger a party and this anger can motivate the party to dissolve the existing relationship factors. In term of the relationship factors between communication and unfairness, communication reduces perceived unfairness. Buyers and sellers can exchange their opinions, values, requirements and feedback through continuous interactions. And increased opportunities can help parties to recognize unfair situations; exchange opinions and discuss and identify solutions for better opportunities and thus, prevent unfairness from occurring. In addition, the perception of being treated unfairly depends on comparisons between existing and potential partners. Through frequent communication, parties can align their differences in terms of their perception of current situations.

Proposition 3: Communication will have a negative effect on unfairness.

Communication and goal incongruity: Goal incongruity can be defined as a fundamental discrepancy between the goals of two parties (Song *et al.*, 2000). An increase in goal incongruity reduces a firm's incentive for cooperation (Dyer and Song, 1997; Tjosvold, 1991) and increases its cost of resolving conflicts and drawing a compromise (Kang *et al.*, 2013; Song *et al.*, 2000). When there is goal incongruity, a frequent collision between

opinions can increase conflicts and reduce the desire to commit, thereby inducing dissolution intention. In addition, any kind of change in policies or management can increase goal incongruity. In such a situation, an increase in dissolution intention is inevitable. In this regard, parties with different goals cannot maintain long-term relationship factors. If they look at different directions, they will confirm their differences and thus, experience frequent conflicts and frictions through repeated exchanges (Kang and Oh, 2009). In addition, post-performance can be different from ante-expectancy and therefore, role ambiguity and distrust can emerge. Eventually, a party dissolves its relationship factors with a partner with a different goal and seeks one with the same goal. Looking at the same direction means sharing values, making compromises and concessions and fulfilling obligations (Kang and Oh, 2005). Accordingly, communication reduces goal incongruity. Parties can exchange their opinions, values, requirements and feedback through repeated interactions. With these interactions, they can capture their partners' goals, identify any discrepancy and eventually, align any discrepancy through sufficient communication.

Proposition 4: Communication will have a negative effect on goal incongruity.

Communication and cooperation: Previous macroeconomic studies have verified that consumers want to cooperate instead of behaving selfishly or rationally (Kang *et al.*, 2013; Kim *et al.*, 2009). Cooperation is working together for mutual benefits (Morgan and Hunt, 1994). A coordinated endeavor is more likely to produce favorable outcomes than a selfish one (Anderson and Narus, 1990). Cooperation does not mean the absence of conflicts (Frazier, 1983; Morgan and Hunt, 1994). In terms of the relationship factors between communication and cooperation, communication may encourage cooperation. Communication increases a party's knowledge of what its partner wants and helps the party to become more aware of its partner's opinions, values, requirements and feedback. Through these exchanges, parties attempt to provide their partners with what they want and as a result, cooperation becomes more likely. This is because knowing what partners want can better motivate intentions to cooperate.

Proposition 5: Communication will have a positive effect on cooperation.

Communication and trust: Trust is a key concept in relationship factors marketing and an important indicator

of relationship factors quality. Trust is a party's confidence in its partner's trustworthiness and sincerity. Thus, trust can encourage the party to perceive that its partner is consistent, capable, honest, fair, reliable, helpful and benevolent (Kang *et al.*, 2013; Morgan and Hunt, 1994). A party that trusts its partner tries to maintain and develop the existing relationship factors. In terms of the relationship factors between communication and trust, communication fosters trust by solving arguments and aligning expectations (Etgar, 1979; Moorman *et al.*, 1993; Morgan and Hunt, 1994). In particular, the more frequent, reliable and timely the communication, the higher the level of trust is (Anderson and Weitz, 1989; Morgan and Hunt, 1994). Trust can be strengthened by solving problems through communication and can be formed when a party knows what its partner wants. By sharing opinions and aligning expectations, parties can strengthen their trust in each other.

Proposition 6: Communication will have a positive effect on trust.

Communication and satisfaction: Satisfaction is an overall evaluation formed after a transaction and comprises transactional and cumulative satisfaction. Transactional satisfaction is an overall evaluation focusing on a specific transaction, whereas cumulative satisfaction is an overall evaluation based on all transactions (Kang *et al.*, 2013; Kim *et al.*, 2009). Satisfaction is a key concept in relationship factors marketing and an important indicator of relationship factors quality (Dwyer *et al.*, 1987; Morgan and Hunt, 1994). In addition, satisfaction is an overall evaluation of the components and process of transactions (Garbarino and Johnson, 1999). Satisfied parties try to maintain and develop their relationship factors with their partners (Morgan and Hunt, 1994). Communication has the potential to enhance satisfaction. With continuous interactions, buyers and sellers can exchange their opinions, values, requirements and feedbacks. And by this mechanism, parties come to understand what their partners want, try to achieve what their partners want, correct what is not desirable, finally and gradually and realize more satisfying situations than before.

Proposition 7: Communication will have a positive effect on satisfaction.

Communication and relational norms: Relational norms are shared values or common beliefs about what is important, what is adequate and what is right (Heide and John, 1992; Kang *et al.*, 2013; Morgan and Hunt, 1994)

and reflect mutuality, flexibility and solidarity. In addition, relational norms can suppress opportunistic behaviors. According to Dwyer and Oh (1987), relational norms can facilitate the development of trust and commitment. In this regard, relational norms represent a positive attribute of relationship factors. Accordingly, in terms of the relationship between communication and relational norms, communication may facilitate relational norms, because buyers and sellers can exchange their opinions, values, requirements and feedbacks through continuous interactions. Therefore, communication can facilitate the formation and development of relational norms and shared values.

Proposition 8: Communication will have a positive effect on relational norms.

DISCUSSION

This study proposes the effect of communication on dyadic relationship factors by using conflict, opportunism, unfairness, goal incongruity, cooperation, trust, satisfaction and relational norms. This study provides marketing academics and practitioners with deeper insights into communication and relationship factors strategies to facilitate their efficient and effective management of important business relationship factors. The main objective of this study is to propose the effect of communication on dyadic relationship factors. This study considers communication as a focal variable and investigates the effect of communication on dyadic relationship factors. Based on a thorough literature review, this study employed conflict, opportunism, unfairness, goal incongruity, cooperation, trust, satisfaction and relational norms. This study extends relationship factors study by proposing meaningful role of communication in dyadic relationship factors. This study extends communication study by proposing relationship factors between communication and relationship factors variables as well. Also, this study proposes that communication can be a focal variable, not only a peripheral one. That is, this study can reposition communication as a focal variable. In this way, this study provides a new perspective for capturing the relationship factors between communication and relationship factors. This study has some limitations. In terms of relationship variables, there may be additional ones not considered in this study. The eight variables considered in this study cannot be exhaustive. In this regard, future study should identify and employ additional variables. There can be an approach to investigate any mediators or moderators between communication and relationship factors variables

and which is very important to academics and practitioners for their deeper understanding of business mechanism. Also, this study provides some study directions as follows. First, an empirical study to confirm the propositions in this study may have bright avenues. Some paths may be significant and some paths may be non-significant. It must be verified which ones are significant. Second, it has bright avenues that researchers should use the multi-dimension control mechanism different from those used in this study (output, process and capability). Third, effect strategy (e.g., request, legal plea, recommendation, promise, etc.) may be used instead of control mechanism. Each dimension of effect strategy may have different effect on relationship factors. Fourth, further study may use different outcome variables, such as economic, financial outcomes such as return on investment or return on asset. This approach can provide actual effect of communication. Fifth, if researchers may investigate the relationship between communication and corporate social responsibility. The issue has been paid much attention in academics and practitioners. Sixth, it may be bright avenue that researchers can make more elaborate model to explain the relationship between communication and relationship factors with the empirical results of this conceptual propositions. Finally, it will be bright avenue to confirm the effect of communication on employees' emotions or attitudes. Employees are key factors to complete business practices for success.

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