Partnership Advantage and Its Determinants in Distributor and Manufacturer Working Relationships

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This paper draws upon a social exchange theory perspective and the marketing channels literature to provide a conceptualization of partnership advantage. Partnership advantage directs consideration to the interdependent nature of manufacturer and distributor working relationships, and to the resultant need of each firm to be cognizant of the advantage that it provides to its partner firm, relative to alternate potential partners. The contribution of partnership advantage to competitive advantage in the final customer marketplace is also discussed. A key informant methodology and a structural equation modeling approach were employed to investigate the determinants of partnership advantage. Both the manufacturer firm perspective and the distributor firm perspective were studied, with sample sizes of 162 manufacturer firms and 199 distributor firms. Nine distributor firm characteristics were found to account for 66% of the total variation in partnership advantage from the manufacturer firm perspective. Market penetration ability, with a path coefficient of 0.57, made the greatest unique contribution. Thirteen manufacturer capabilities explained 58% of the total variation in partnership advantage from the distributor firm perspective. Product offering, with a path coefficient of 0.69, made the most unique contribution.

Introduction

Developing and sustaining strong working relationships between firms in business markets are increasingly being viewed as a means for firms to reduce real costs and/or add value to the exchange system (e.g., *Purchasing World*, 1985; Bohn, 1983). Arndt (1979) has referred to this changing nature of relationships between

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Journal of Business Research 17, 327–347 (1988)

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0148-2963/88/$3.50

firms in the marketplace as *domesticated markets*. One prominent type of working relationship, on which this paper concentrates, is the one that exists between manufacturers and distributors. Manufacturer and distributor working partnerships have been defined as "the extent to which there is mutual recognition and understanding that the success of each firm is in part dependent upon the other firm, and where because of this, each firm takes actions so as to provide a coordinated effort that is focused upon jointly satisfying the requirements of the customer marketplace" (Anderson and Narus, 1988, p. 1).

A crucial aspect for building and sustaining these partnerships is for each firm to be cognizant of providing its partner firm with some advantage relative to alternative, potential partners. As an example, a distributor firm might provide its manufacturer partner firm with superior knowledge of its local marketplace relative to other distributors in that area. Conversely, a manufacturer firm might provide its distributor partner firm with better field support services (e.g., field technical assistance, and training) relative to other manufacturers of that product line. This construct, which we term *partnership advantage*, has received little attention in the marketing channels literature.

In this paper, we provide a conceptualization of partnership advantage in a marketing channels setting. Following this, we delineate partnership advantage from the related constructs of dependence and relative dependence, and we then discuss how partnership advantage contributes to competitive advantage in the final customer marketplace. Next, results of an empirical study are presented that identified the significant determinants of partnership advantage from the manufacturer firm and the distributor firm perspectives. Finally, we discuss the implications of the findings upon managerial practice in marketing channels.

A Conceptualization of Partnership Advantage

Partnership advantage is a construct that draws upon a social exchange theory perspective, and it is consonant with past research in the marketing channels area. Social exchange theory (Thibaut and Kelley, 1959; Kelley and Thibaut, 1978) provides a theoretical foundation for evaluating outcomes provided by partners in a dyadic, interdependent relationship. Thibaut and Kelley (1959) posited two standards for evaluation of such outcomes, represented as rewards obtained minus costs incurred. One is called the *comparison level* (CL), which is the standard that the person has come to expect from a given relationship, based upon knowledge and past experience. The second is the *comparison level for alternatives* (CL_{alt}), which is the standard that represents the quality of outcomes that are available from the best alternative exchange relationship. Related to this, CL_{alt} can be viewed in a marketing channels context as the lowest level of outcomes that a manufacturer (distributor) firm will accept, given its knowledge of potential alternate distributors (manufacturers). Anderson and Narus (1984) have found empirical support for a model of marketing channel working relationships that posited the constructs of outcomes given CL and CL_{alt} as antecedents of channel behavioral constructs such as control and satisfaction.

CL_{alt}, then, represents a yardstick for comparison of the partner firm's performance with that which is perceived to be obtainable from alternate, potential partners. When a manufacturer firm's obtained outcomes from a distributor firm

in the local marketplace are greater than what is available from alternative distributors in that area (CL_{alt}), then that distributor can be thought of as providing relative advantage to its manufacturer firm partner. An obverse situation obtains for the distributor firm with its manufacturer partner. Thus, a natural conceptualization of the construct *partnership advantage* can be provided by *outcomes given comparison level for alternatives*(CL_{alt}).

This conceptualization of partnership advantage is consonant with the well-accepted view in marketing that marketing channels represent an interdependent system, where constituent members provide mutual benefits or outcomes to one another (Cadotte and Stern, 1979; Stern and El-Ansary, 1982; Frazier, 1983; Anderson and Narus, 1984, 1988). While the construct of partnership advantage has not been explicitly considered by these researchers, the existence of such a construct can be inferred from their expositions on the impact of differential benefits on working-relationship constructs like dependence, control, conflict, and satisfaction. As an instance of this, Cadotte and Stern (1979) have explicitly incorporated the benefits *A* mediates to *B* and *B* mediates to *A* in their process model of interorganizational exchange behavior. As another instance, Frazier (1983), in discussing the satisfaction of channel members with the outcomes obtained from an exchange relationship, has stated, "continued dissatisfaction with achieved rewards, along with perceived availability of a more desirable exchange partner, who also wants the target as an exchange partner, will lead to a dissolution of the relationship" (p. 75).

An implication of this is that when a firm is perceived not to be providing partnership advantage, the relationship will likely be moribund. Of course, disengagement from an interdependent relationship is far from simple. Transaction specific assets, routinization, contractual provisions, and so forth all represent exit barriers from the relationship. Thus, considerable bargaining and negotiation within the relationship is likely to precede switching partners. However, as the outcomes from a given relationship continue to approximate or fall below CL_{alt}, the firm will find it increasingly difficult to justify remaining in the relationship.

Partnership Advantage, Relative Dependence, and Influence

It is useful to briefly draw out the conceptual relationship of the partnership advantage construct to relative dependence upon the working partnership and the consequent influence each firm has on its partner. Partnership advantage, conceptualized as outcomes given CL_{alt}, is the antecedent construct of a firm's perceived *dependence* upon the working relationship. Although Anderson and Narus (1984) have discussed outcomes given CL_{alt} as *representing* perceived dependence upon a working relationship, this construct can be more precisely thought of as *explaining* perceived dependence. This delineation of outcomes given CL_{alt} as an antecedent construct, explaining dependence rather than as a representation of it, also appears to be conceptually consistent with social exchange theory. In support of this, Thibaut and Kelly (1959, p. 23) have stated that "the degree to which his attained position exceeds CL_{alt} *determines* how greatly he depends upon the dyad" (emphasis added).

Rather than considering a firm's perceived dependence upon a working relationship, we contend that the firm's perception of its dependence *relative* to its

partner's dependence upon the relationship is actually a construct of greater interest in channels research. How does partnership advantage relate to this? A firm may perceive that the partnership advantage it provides to a partner firm is not equivalent to the partnership advantage provided to it by the partner firm. Put differently, the firm may perceive that it provides more, or less, partnership advantage than it receives from the partner firm. This perceived asymmetry in partnership advantage is posited as the antecedent to a firm's perception of its *relative dependence* upon the working relationship (cf. Anderson and Narus 1988).

Relative dependence, then, can be defined as a firm's perceived difference between its own dependence upon a relationship and that of its partner firm. Furthermore, this construct has been found to have a significant effect upon each firm's influence over the other firm in a working relationship (Anderson and Narus, 1988). Thus, a better understanding of partnership advantage and its determinants may suggest effective ways to gain influence in a working relationship.

Partnership Advantage and Competitive Advantage

The primary purpose for each firm's provision of partnership advantage to its partner is that it directly contributes to the competitive advantage that both partner firms share in the final customer marketplace. Before discussing the ways in which this occurrs, we first review briefly the concept of competitive advantage and the related, recent concept of strategic alliances.

Competitive advantage has been extensively studied in the business strategy literature (e.g., Porter, 1985; Day, 1984; Ghemawat, 1986). Although no formal definition has been given, *competitive advantage* has been variously conceptualized as managing for uniqueness, developing distinctive competence, creating "extra" value for the customer, etc. The primary thrust of this literature has been to gain an understanding of, and propose ways in which firms can achieve, competitive advantage in the customer marketplace. For instance, according to Porter, "competitive advantage grows fundamentally out of the value a firm creates for its buyers" (1985, p. 3). Porter (1985) discusses cost leadership and differentiation as two fundamental ways in which firms can attain competitive advantage. Similarly, Day (1984) equates competitive advantage to positional superiority that can be acquired through development of differentiation, cost superiority, or operation in a protected niche.

Strategic alliances between firms can take many forms: joint ventures, partnerships, equity participations, etc. (Harrigan, 1986). Complementarity appears to be a primary element for a strategic alliance to succeed in the marketplace (Berg and Friedman, 1980; Harrigan, 1986; Gage, 1986). An explanation underlying this is that each firm *has* to provide the other firm with some requisite advantage. By doing so, the firms *jointly* attain a competitive advantage that each firm could not easily attain by itself. This notion of complementarity has also been highlighted in discussions on symbiotic marketing by Adler (1966) and Varadarajan and Rajaratnam (1986).

Partnership advantage directly contributes to competitive advantage because it enables the two firms to add value to and/or reduce real costs in the marketing exchange with the final customer. To understand this, consider that a manufacturer firm's provision of partnership advantage to a distributor firm enables that distrib-

utor to improve its capabilities relative to other distributors in its local marketplace, thereby gaining a competitive edge. The resultant superior performance of the distributor, in turn, translates into competitive advantage for the manufacturer in the following way.

First, because of expected reciprocity, the distributor will provide partnership advantage to the manufacturer in ways such as superior market penetration ability, knowledge of local market, etc., thereby strengthening the manufacturer's presence in the local marketplace. Second, by contributing to the distributor firm's ability to provide higher-quality distribution services, the manufacturer's product line becomes more attractive to the final customers. This relates to the concepts of core product versus augmented product (Kotler, 1988). Customers purchase products that are augmented by attendant services like delivery, replacement parts, and ready availability. To the extent that the distributor partner firm is relatively more effective in providing these services to its customers, the manufacturing firm will gain a competitive advantage over other manufacturers.

As an example of this, a key consideration in the purchase decision of trucks by fleet operators is the ready availability of replacement parts and servicing facilities. A manufacturer of trucks who provides partnership advantage to its dealers in terms of superior training programs and inventory control assistance strengthens the customer support capabilities of its dealers. Consequently, purchasers of trucks would have a preference for this manufacturer's augmented product over that of its competitors.

Finally, providing partnership advantage results in a stable working relationship and a more coordinated performance in the marketplace. As Stern and El-Ansary (1982) have stated, "It is only through purposive interorganizational coordination that channels can achieve their full potential as systems involved in producing satisfactory outputs for ultimate, business and industrial consumers." Narus and Anderson (1986, 1987) have discussed specific economic benefits that manufacturer and distributor partners can attain from building and sustaining strong working relationships.

In summary, partnership advantage is needed to sustain a strong working relationship and contribute to the joint competitive advantage of the partner firms in the final customer marketplace. As such, it represents a construct of interest in the study of marketing channels. Because of the scant attention it has received, there is a need for better understanding of partnership advantage and its determinants. In response to this, an empirical study was undertaken that identified the key determinants of partnership advantage from the manufacturer firm and distributor firm perspectives.

Method

Informant Sample

The study of partnership advantage was undertaken as part of a comprehensive study of manufacturer and distributor working relationships (cf. Anderson and Narus, 1988). The research design called for each distributor firm to evaluate their working relationship with one manufacturer firm, and, in turn, for the selected manufacturer firm to evaluate their working relationship with that distributor firm.

In addition, the research design for the overall study called for multiple informants from each manufacturer firm and distributor firm to attain organization-level estimates of working relationship constructs (cf. Anderson and Narus, 1988; Anderson, 1987). Consequently, in each firm perspectives were provided by a senior executive and an operations-level, first-line manager. Given that evaluations of partnership advantage principally occur at the strategic management level of the firm, for the purposes of the present study our interest was limited to the perspectives of the senior executives. Operations-level managers such as purchasing managers typically are not involved in strategic issues (Ammer, 1974).

Research questionnaires were sent to the 504 sets of manufacturer firms and distributor firms. Completed questionnaires were received from 253 distributor firms and 217 manufacturer firms. As knowledgeability of potential, alternative partners was essential for a comparative evaluation of the partner firm, those research participants who felt that they did not have sufficient knowledge were directed to not answer this section of the overall questionnaire. After screening, a total usable sample of 199 distributor firms and 162 manufacturer firms were obtained for the analysis. The relationships evaluated by distributors were of critical importance to their businesses, in that they accounted for an average of 16.8% of total distributor sales (s.d. = 15.4; median percentage was 10.0).

Procedure

In designing the research questionnaire, preliminary field interviews were conducted with executives from approximately 20 distributor and manufacturer firms. This discussion helped in understanding the critical aspects of partnership advantage. Based on these discussions, nine capabilities or characteristics were identified as potential determinants of partnership advantage from the manufacturer firm perspective: market penetration ability, technical sales capability, ability to handle customer problems, prompt payment of bills, financial stability, management capabilities, amount of inventory carried, local reputation, and knowledge of local market. Thirteen capabilities or characteristics surfaced as potential determinants of partnership advantage from the distributor firm perspective: quality of products, gross margin obtained, reputation, field sales assistance, technical assistance, credit policy, turnover rate for manufacturer's product line, training programs, inventory return policies, reliability of delivery, new product development, promotional support, and completeness of product lines. It should be noted that some of these determinants, such as product offering, technical support, and field sales assistance also have been mentioned by Rosenbloom (1979) and Webster (1976).

The two research questionnaires—one for manufacturer firms and one for distributor firms—were constructed to be as parallel as possible. The construct partnership advantage (outcomes given CL_{alt}) was operationalized with four measures. These questions elicited the manufacturer (distributor) firm's evaluation of the outcomes provided by the distributor (manufacturer) partner firm compared with available, alternative distributors (manufacturers) in the marketplace. Related to this, we were interested in assessing the perceptual agreement between each firm's own perception of partnership advantage that it provided and its partner firm's perception of partnership advantage that the firm provided. To test this, the firm's

own perception of outcomes it provided to the partner firm was operationalized through two measures.

Both versions of the questionnaire were pretested on fifteen distributor managers and manufacturer managers. In addition, the Distribution Research and Education Foundation board of directors reviewed the drafts and offered comments on improvements. The appropriate changes were made to produce the final sets of measures for distributor firms and manufacturer firms.

Model Construction

A model that related the determinants to partnership advantage was constructed for the manufacturer firm perspective and the distributor firm perspective. Because of their nature, some capabilities/characteristics were considered as indicators of underlying determinant constructs, whereas other capabilities/characteristics were considered as single indicators of a corresponding determinant construct. This necessitated specifying a measurement model that related the determinant indicators to underlying determinant constructs. This was followed by specification of a structural submodel or a path model that related the determinant constructs to one another and to partnership advantage. These models were generated from knowledge and experiences gained from the field interviews (cf. Calder, 1977), conceptual meaningfulness, and parsimony.

In the measurement model of the manufacturer firm perspective, the measures of technical sales capabilities and ability to handle customer problems were posited as indicators of a single underlying determinant construct, technical capabilities. Similarly, prompt payment of bills and financial stability were related to a single underlying determinant factor, financial capabilities. The other five determinants were posited as single indicators of corresponding determinant constructs. Thus, there were seven determinant constructs of interest.

The structural model for the manufacturer firm perspective was posited as follows: Technical capabilities, local reputation, knowledge of local market, management capabilities, and inventory carried were specified as antecedents of market penetration ability, which, in turn, was specified as directly contributing to partnership advantage. Financial capabilities and local reputation were posited as directly contributing to partnership advantage. Direct paths from technical capabilities and management capabilities were also posited, but, as is later discussed, they were found to be not significant. So, to conserve space, only the final model is shown in Figure 1.

In the measurement model of the distributor firm perspective, the measures of product quality, new product development, and completeness of product lines were posited as indicators of a single underlying determinant construct, product offering. Similarly, field sales assistance, technical assistance, and training programs were taken as indicators of the determinant construct, field support. Credit policy and inventory return policy were related to the determinant construct, transaction policies. The other five determinants were treated as single indicators of corre sponding determinant constructs. Thus, we had eight determinant constructs of interest.

The structural model developed for the distributor firm related all the determinants as directly contributing to partnership advantage. It was further posited

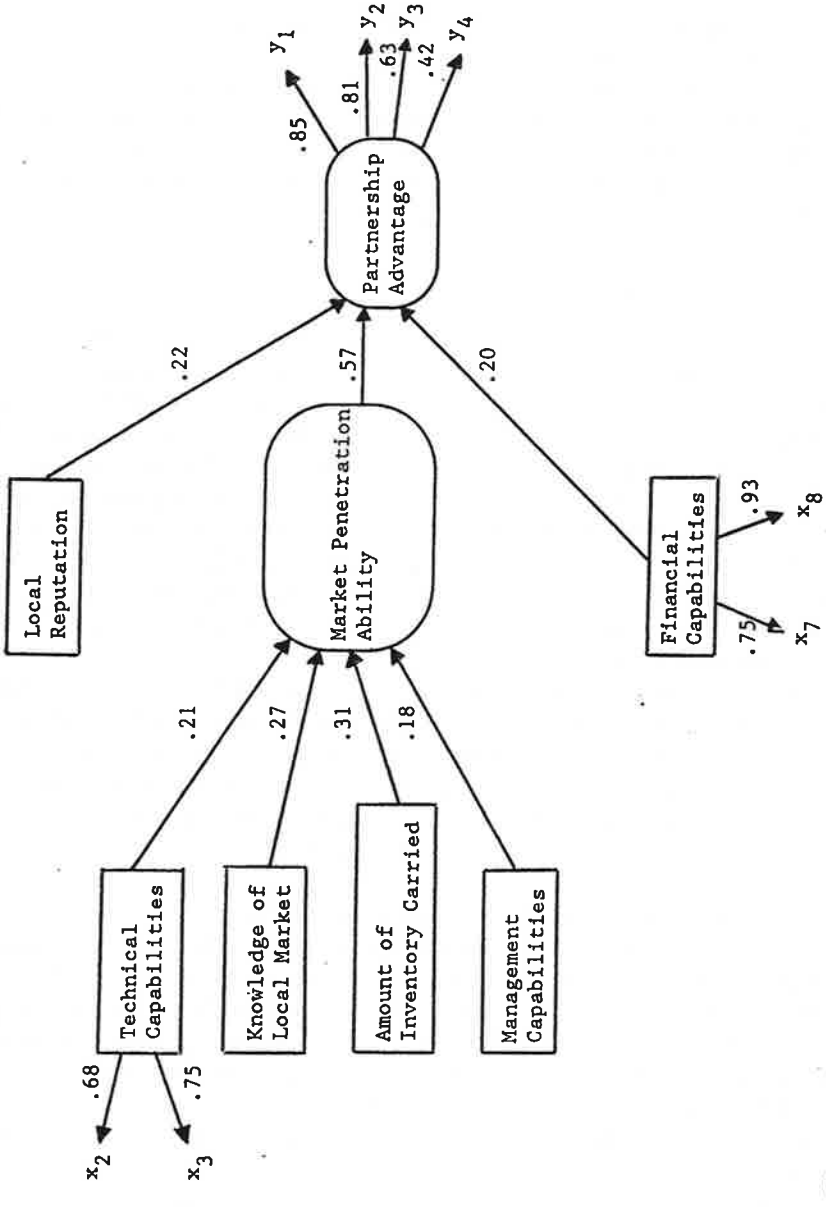

Figure 1. Model of the determinants of partnership advantage from manufacturer firms' perspective. (Indicators and their pattern coefficients are depicted only for constructs with multiple indicators. The remaining contructs were each defined by a single indicator with the pattern coefficient set at 0.995 and the indicator uniqueness set at 0.01. All parameter estimates are statistically significant ($p < 0.05$). Standardized estimates are given. For clarity, the factor correlations among exogenous determinant constructs are not depicted.)

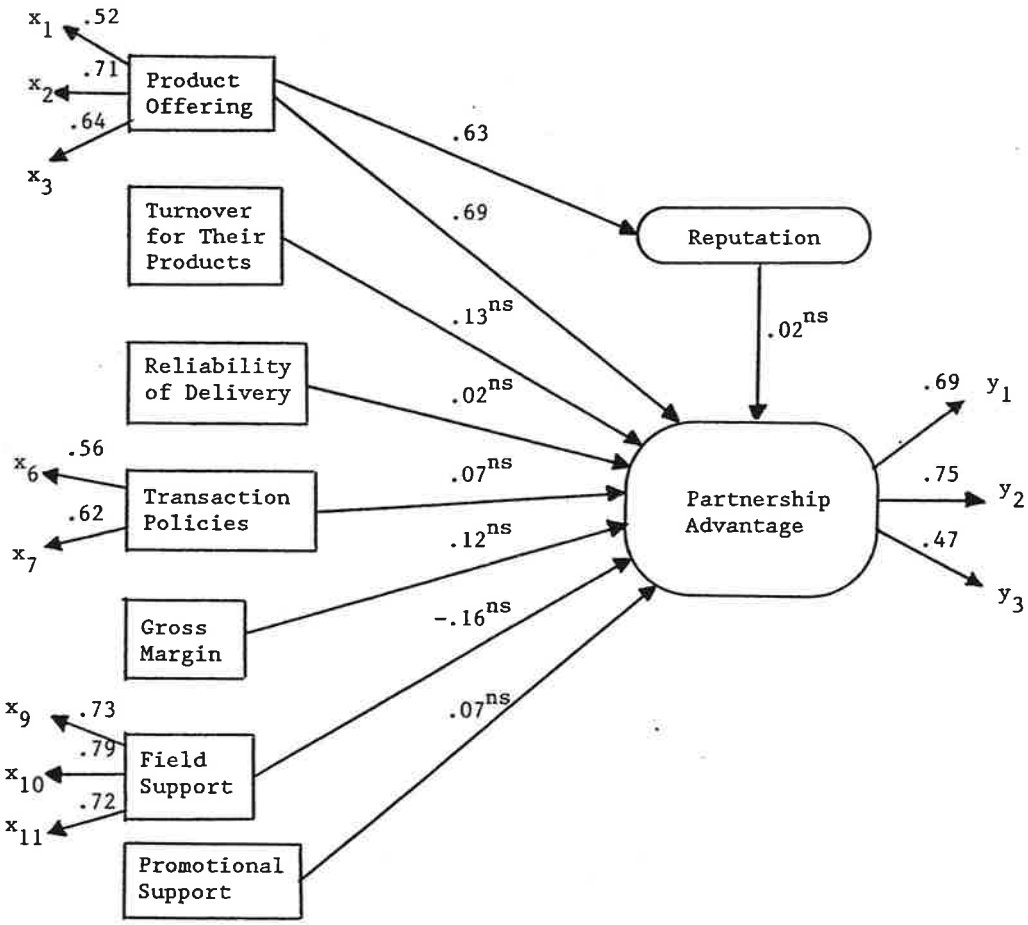

Figure 2. Model of the determinants of partnership advantage from distributor firms' perspective. (Indicators and their pattern coefficients are depicted only for constructs with multiple indicators. The remaining constructs were each defined by a single indicator with the pattern coefficient set at 0.995 and the indicator uniqueness set at 0.01. All parameter estimates are statistically significant ($p < 0.05$) except those which are indicated as ns. Standardized estimates are given. For clarity, the factor correlations among exogenous determinant constructs are not depicted.)

that product offering was causally antecedent to reputation as well as contributing directly to partnership advantage. Hence, a path from product offering to reputation was also hypothesized. Note that this model is nearly equivalent to a latent multiple regression model. The hypothesized model is shown in Figure 2.

Analyses

The significance of the potential determinants of partnership advantage was assessed in two ways. First, the factor correlations of the determinant constructs with the estimated partnership advantage construct were calculated. These correlations indicated the zero-order relationship and relative strength of contribution of each determinant factor to partnership advantage. Second, the structural models hy-

pothesized above were tested. This analysis indicated the unique contribution of each determinant in explaining the partnership advantage construct. In addition, the percentage of variance accounted for in the partnership advantage construct, and the overall model goodness-of-fit provided indications of the explanatory adequacy of the set of determinants. The LISREL program (Joreskog and Sorbom, 1984) was employed throughout for estimation. The structural equation modeling approach (cf. Anderson and Gerbing, 1988) consisted of estimating the hypothesized measurement or confirmatory factor analysis model (Joreskog and Sorbom, 1984, pp. I.9–10) prior to the simultaneous estimation of the measurement and structural submodels.

To measure the congruity in the perception of partnership advantage provided, the manufacturers' perception of partnership advantage provided by the distributor and the distributors' own perception of what it provides to the manufacturer were represented as latent factors that were each indicated by two measures. An assessment of the perceptual agreement was provided by the factor correlation between the two latent factors. Similarly, the factor correlation between the distributors' perception of partnership advantage provided by the manufacturer and the manufacturers' own perception of what it provides to the distributor was computed as an assessment of their perceptual agreement.

Results

Manufacturer Perspective

The confirmatory measurement model for manufacturer firms had an associated χ^2 value of 59.01 ($df = 42$, $p = 0.042$). Although the model was statistically significant, it was considered to give an acceptable fit. Support for this judgment was given by a normed fit index (Bentler and Bonnet, 1980) value of 0.94, which represents acceptable goodness-of-fit from a practical viewpoint, and by the finding that there was no normalized residual greater than two in magnitude. This judgment was further supported by a GFI value of 0.95 and a standardized RMR value of 0.042.

The latent factor correlations from this measurement model, along with their respective standard errors, are presented in Table 1. As can be seen from the data in Table 1, all the factor correlations of the determinants with partnership advantage are positive and significantly different from zero. The correlations, ranging from 0.48 to 0.74, indicate that all the determinants contribute to the provision of partnership advantage, with market penetration ability having the strongest relationship.

The hypothesized structural model was then tested. This model produced an associated χ^2 value of 68.13 ($df = 46, p = 0.019$). An examination of the estimated path coefficients, however, revealed that the direct paths from technical capabilities and management capabilities were not significantly different from zero. In addition, the posited path from local reputation to penetration ability was not significant. Therefore, the model was respecified with these paths constrained at zero, and reestimated. This respecified model produced χ^2 value of 70.78 ($df = 48$, $p = 0.018$). A χ^2 difference test showed that the loss in explanatory ability from constraining these paths to zero was not significant ($\chi^2_{d(2)} = 2.65$, $p = 0.25$). It

Table 1. Factor Correlation Matrix: Manufacturer Firm Perspective

	Partnership advantage	Market penetration ability	Local reputation	Technical capabilities	Knowledge of local market	Amount of inventory carried	Management capabilities	Financial capabilities
Partnership advantage	1.00	.07	.08	.08	.08	.08	.08	.08
Market penetration ability	.74	1.00	.09	.09	.09	.09	.09	.08
Local reputation	.59	.48	1.00	.09	.09	.09	.09	.08
Technical capabilities	.57	.58	.53	1.00	.09	.09	.09	.09
Knowledge of local market	.56	.57	.58	.51	1.00	.08	.09	.08
Amount of inventory carried	.56	.56	.41	.41	.33	1.00	.08	.08
Management capabilities	.58	.54	.47	.56	.49	.35	1.00	.08
Financial capabilities	.48	.29	.51	.44	.40	.37	.49	1.00

Correlations are given below the diagonal and standard errors are given above the diagonal.

was concluded from this that the respecified model provided the more parsimonious, and therefore more acceptable, explanation. This final structural model and its parameter estimates appear in Figure 1.

Again, although the model was statistically significant ($\chi^2_{(48)} = 70.78$, $p = 0.018$), the normed fit index value was 0.92 and the GFI value was 0.94. More importantly, from a comparison with the confirmatory factor model, it was found that constraining the paths hypothesized to be absent at zero resulted in no significant loss of explanatory ability ($\chi^2_{d(6)} = 11.77, p = 0.07$). The structural model accounted for 66% of the variation in partnership advantage, indicating that the determinants have accounted for a considerable portion of the variance in partnership advantage. All the parameter coefficients are significant. It can be seen from Figure 1 that market penetration ability makes the greatest unique contribution to partnership advantage. Technical capabilities, management capabilities, inventory carried, and knowledge of local market are found to be significant antecedents of market penetration ability and thus make their contribution to partnership advantage indirectly through market penetration ability. Financial capability and local reputation are found to directly contribute to partnership advantage.

Distributor Perspective

Before testing the measurement and structural model, a preliminary consideration was assessed. It was thought that distributor firms dealing primarily in industrial products might differ in their perception of partnership advantage from the distributors of primarily consumer products. This was assessed using a test of the equality of covariance matrices (Joreskog, 1971; Joreskog and Sorbom, 1984, p. V.9). Those distributors who derived more than 50% of their total sales from industrial and institutional customers were classified as primarily industrial distributors, whereas those with 50% or less were classified as primarily consumer products distributors. The null hypothesis that the population covariance matrices of the industrial products distributors and the consumer products distributors were equal could not be rejected ($\chi^2_{(153)} = 179.41$, $p = 0.073$). Based upon this result, the two subsamples were pooled for further analysis.

Initial estimation of the measurement model revealed that the measure y_4 of partnership advantage had a factor loading of 0.08, with a standard error of 0.08. Because of this nonsignificant loading, it was removed from further analysis. The respecified measurement model provided an adequate fit, although the χ^2 value for the model was still statistically significant ($\chi^2_{(73)} = 137.72$, $p < 0.01$). Primary support for this judgment came from the finding that there were no normalized residuals greater than two in magnitude, indicating that the model had adequately reproduced the observed covariance matrix. The normed fit index value was 0.85, suggesting an adequate fit from a practical viewpoint. Further support was provided by a GFI value of 0.92 and a standardized RMR of 0.049.

The latent factor correlations from this measurement model, along with their respective standard errors, are presented in Table 2. It can be seen from the values in Table 2 that all of the zero-order correlations of the determinants with partnership advantage are positive and significantly different from zero. Product offering is by far the determinant that has the strongest relationship to partnership advantage,

Table 2. Factor Correlation Matrix: Distributor Firm Perspective

	Partnership advantage	Reputation	Product offering	Turnover for products	Reliability of delivery	Transaction policies	Gross margin	Field support	Promotional support
Patnership advantage	1.00	.08	.07	.08	.08	.11	.08	.08	.08
Reputation	.46	1.00	.08	.07	.07	.10	.07	.08	.07
Product offering	.74	.66	1.00	.09	.09	.12	.09	.07	.08
Turnover for products	.40	.21	.34	1.00	.08	.10	.07	.08	.08
Reliability of delivery	.29	.19	.37	.30	1.00	.10	.07	.08	.07
Transaction policies	.36	.23	.30	.44	.46	1.00	.10	.10	.10
Gross margin	.29	.07	.18	.26	.13	.33	1.00	.08	.07
Field support	.46	.45	.69	.36	.44	.38	.07	1.00	.07
Promotional support	.43	.26	.59	.28	.23	.34	.17	.63	1.00

Correlations are given below the diagonal and standard errors are given above the diagonal.

while reputation and field support have the next strongest relationships. Reliability of delivery and gross margin have significant, but relatively weak, relationships to partnership advantage.

The final structural model and its parameter estimates are shown in Figure 2. The χ^2 value was 145.71 ($df = 79$, $p < 0.01$.), and the normed fit index value remained 0.85. The GFI value remained at 0.92, and the RMR value was 0.051. One normalized residual greater than two occurred, but its magnitude was only 2.04. The model accounted for 58% of the variation in partnership advantage. As might be expected, comparison with the confirmatory factor model showed that the χ^2 goodness-of-fit value of this model was not significantly different from that of the confirmatory factor model ($\chi^2_{d(6)} = 7.99$, $p = 0.15$).

A significant path coefficient ($\gamma = 0.689$) was found only for product offering. Notice that the gamma value or the path coefficient estimate between technical support and partnership advantage turns out negative (-0.16), when the zero-order factor correlation was significant and positive. This represents a case of classic suppression in multiple regression (Darlington, 1968; Cohen and Cohen, 1975). Suppression occurs when the sign of a regression weight is different from that of the corresponding zero-order correlation, and it arises due to the collinearity among the predictor variables. In this case, product offering has a greater correlation with partnership advantage (0.74) than with field support (0.69). Field support has higher correlation with product offering (0.69) than with partnership advantage (0.46), resulting in suppression. However, this occurrence should not lead to the conclusion that field support does not significantly contribute to partnership advantage; rather, the interpretation would be that its unique contribution to partnership advantage, beyond that which is explained by the remaining determinants, is not significant. These results demonstrate the complementary nature of presenting the factor correlations, which represent zero-order relationships, and the structural regression weights for meaningful interpretation of the significance of the determinants.

Perceptual Congruity

The correlation between the manufacturer's perception of the partnership advantage provided by the distributor and the distributor's own perception of what it provides to the manufacturer, was assessed by testing the confirmatory factor model depicted in Figure 3A. Here, as the unit of analysis was the manufacturer–distributor dyad, the joint participation of both the manufacturer and distributor informants in a given working partnership was required, and, thus, the sample size was reduced to 146. This model provided good fit to the data ($\chi^2_{(1)} = 0.01, p = 0.937$). Of interest here, the correlation (0.304) between manufacturer and distributor perceptions of the partnership advantage provided by the distributor was significant, although moderate in magnitude.

Similarly, the confirmatory factor model assessing the correlation between the distributor's perception of partnership advantage provided by the manufacturer and the manufacturer's own perception is depicted in Figure 3B. A good fit was obtained with this model ($\chi^2_{(1)} = 0.04$, $p = .845$). Surprisingly, the correlation (0.164) between the manufacturer and distributor perceptions of partnership advantage provided by the manufacturer was not significantly different from zero, indicating a lack of perceptual agreement between partner firms.

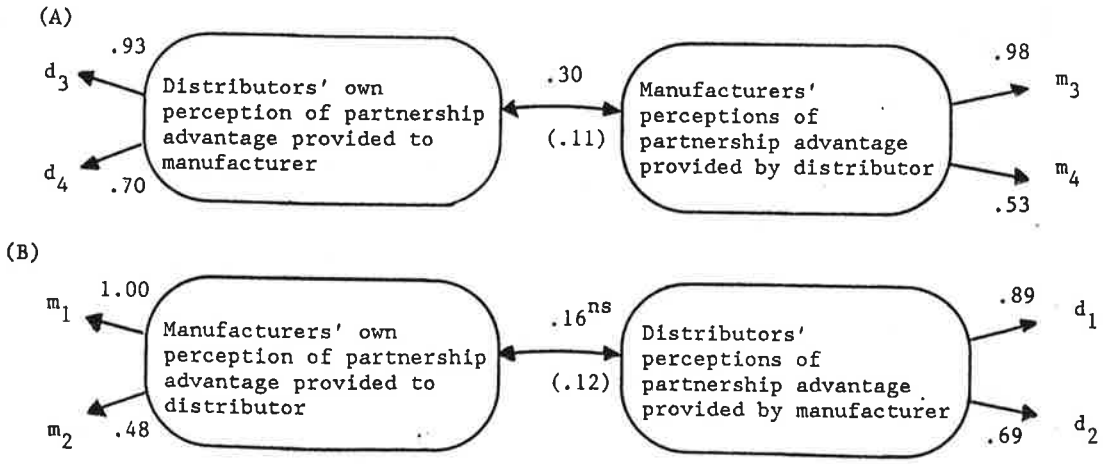

Figure 3. Perceptual congruity of manufacturer firms and distributor firms on provision of partnership advantage. (A) Perceptions of distributor firms' provision of partnership advantage. (B) Perceptions of manufacturer firms' provision of partnership advantage. Standard error of the factor correlations given in parentheses; ns denotes not significant at 0.05 level.

Discussion

In this article, we have introduced the concept of partnership advantage. Partnership advantage refers to those outcomes (i.e., benefits minus costs) provided to a partner firm in a manufacturer and distributor working relationship that surpass those outcomes possible from alternate partners. It is our contention that manufacturer firms and distributor firms need to take deliberate steps to build and sustain partnership advantage, which directly contributes to competitive advantage in the customer marketplace. We have presented research from an initial study that identified important determinants of partnership advantage from both the manufacturer firm and distributor firm perspectives. This research also examined the extent of agreement between firms on the partnership advantage each firm provided to the other.

Determinants of Partnership Advantage—Manufacturer Perspective

Three principal determinants of partnership advantage from the manufacturer firm perspective were identified: market penetration ability, local reputation, and financial capabilities. These determinants represent areas on which distributor firms should concentrate in their efforts to build partnership advantage. The "market penetration ability" of a distributor (i.e., the firm's ability to maximize sales to potential customers) is clearly the most important determinant of partnership advantage. Four antecedents were identified that significantly contribute to this capability to penetrate markets: managerial capabilities, knowledge of local market, technical capabilities, and amount of inventory carried. These antecedents can be thought of as "action areas" where distributor firms can strengthen their performance, upgrading their market penetration ability, and, through this, make the strongest contribution to the provision of partnership advantage.

"Local reputation" was found to be a second determinant of partnership advantage. A distributor firm develops a positive local reputation by selling products and services valued by the local market, by maintaining high professional and ethical standards, by aggressively promoting the firm locally, and being a responsible corporate citizen of the local community. When combined with the manufacturer's national reputation, a distributor's local reputation can lead to a strong competitive presence in the marketplace.

"Financial capabilities" of the distributor comprise the third significant determinant of partnership advantage. In the current era of frequent bankruptcies, financial capabilities signal that a distributor has a high probability of being in business for the long run. "Financial stability," one indicator of financial capability, can be achieved when the distributor actively monitors and manages profit margin, asset turnover, and cash flow (Mullins, 1979). Finally, "prompt payment of bills," a second indicator of financial capability, establishes a sound credit rating for the distributor and further demonstrates that the distributor values the working partnership.

Determinants of Partnership Advantage—Distributor Perspective

Although the zero-order relationship of each determinant with partnership advantage was significant, by far the contribution of "product offering" as a determinant

of partnership advantage exceeded all others. The three indicators of this determinant construct suggest ways in which manufacturer firms can make the strongest contributions to the provision of partnership advantage. First, a manufacturer must produce and market quality products and services that meet customer requirements. Second, when a manufacturer offers a complete product line, it enhances the desirability of its product offering. The reason for this is that with a complete product line, a distributor firm can offer "one-stop shopping" to its customers without having to locate additional manufacturers and establish relationships with them to fill product-line gaps. Finally, a product offering becomes more attractive when the manufacturer is committed to "new product development." Such new product development activity demonstrates to the distributor the manufacturer's capability to provide state-of-the-art solutions to customer problems and a commitment to remain in the marketplace.

Although their structural coefficients were not significant due to suppression effects, the contribution of field support and promotional support to partnership advantage, as seen from their zero-order correlations, should not be overlooked. Field support and promotional support provided to distributors enhance their performance in the customer marketplace. Elements of an effective field support system would include capability-building training programs and the provision of ongoing technical support and customer problem-solving assistance.

It is interesting to note that "gross margin provided," largely furnished through a functional discount, was found to not be a principal determinant of partnership advantage. This finding has been supported by several field observations. Although many manufacturer firms try to motivate distributor firm partners solely by increasing their functional discounts, they are often exasperated when they discover that the distributors simply "gave them away" in an attempt to obtain additional sales in the customer marketplace. This finding, taken together with the finding of significance for a longer-lasting determinant, parallels the distinction between contestable versus sustainable advantage in the competitive strategy literature (Ghemawat, 1986). Functional discounts (and, thus, gross margin) provide only a contestable advantage because they are "just a phone call away" from being readily matched by competitors. In contrast, other determinants, i.e., the product offering, yield a sustainable advantage because they cannot be readily duplicated. This research finding supports the provision of partnership advantage that is sustainable.

Perceptual Congruity

A significant, although moderate in magnitude, positive correlation was found between manufacturer and distributor perceptions of the partnership advantage provided by the distributor firms. At the same time, the relationship between manufacturer and distributor perceptions of partnership advantage furnished by manufacturer firms was found to be not significant. Taken together, these findings point to a need on the part of each firm in a working relationship to better understand and communicate the partnership advantage that it is providing. Lack of perceptual agreement between channel members has also been found in past studies on power and dependence (e.g., El-Ansary and Stern, 1972).

It should be underscored that partnership advantage exists only to the extent that it is perceived as such by the partner firm, not by one's own firm. Related to

this, the findings imply a myopic understanding of partner requirements by both manufacturer and distributor firms. Meaningful and timely communication, supported by research when it is needed, is seen as the best way to improve understanding and perceptual congruity.

Channel Positioning

Although previous efforts have focused on positioning in the customer marketplace (cf. Wind, 1982), our research suggests the need for both manufacturers and distributors to develop a *channel position* in which their *channel offering* (i.e., outcomes provided to the channel partner) is related to partner requirements and contrasted with competitive offerings. Periodic channel market research (as contrasted with research on the customer marketplace) should be undertaken as a basis for developing a channel position and offering that provide strong partnership advantage. Such channel market research should be conducted by distributor firms as well as manufacturer firms.

Limitations and Future Research

We have provided an initial study of partnership advantage and its determinants for manufacturer firms and distributor firms. No initial study, though, can be construed as providing a comprehensive understanding of a construct and its applicability in marketing practice. In particular, there are two limitations to this study that provide a basis for future research.

The first one is that the study's sample frame was drawn from 117 wholesale-distribution industries. Although this sampling frame offers a broader perspective, it may also serve as a potential explanation for the lack of significant findings for determinants of partnership advantage from the distributor firm perspective. Product offering, the only determinant found to be significant, is uniformly required for marketplace success in any industry. It may be that the criticality of the other determinants varies, depending upon the particular requirements of the industry, such that their relationships with partnership advantage consequently would be attenuated. As an example of potential variation across industries, in the electronic components distribution industry, inventory return policies would likely be a significant determinant of partnership advantage, whereas promotional support given (e.g., point-of-purchase displays) would likely not be. In the air-conditioning and refrigeration wholesale industry, however, the opposite would likely be found. A useful future study, therefore, would be to study partnership advantage and its determinants within a single wholesale-distribution industry. In such a study, it would be of interest to see whether additional, industry-specific, significant determinants of partnership advantage emerged.

A second limitation is that the study focuses only on the determinants or antecedent constructs of the partnership advantage construct. Assessment of the construct validity of partnership advantage would be strengthened by the specification and testing of a nomological network that included constructs that are consequent to it as well (Cronbach and Meehl, 1955; Campbell, 1960). Two constructs that would be expected to be consequent to partnership advantage are commitment

to and satisfaction with the working relationship. Future research that incorporated consequent constructs would further contribute to our understanding of partnership advantage in distributor and manufacturer working partnerships.

Conclusion

Through the conceptualization of partnership advantage, we have attempted to provide a useful, strategic perspective on marketing channel working relationships. This perspective focuses consideration on the interdependent nature of these relationships and the need for each firm to be cognizant of what they are contributing to the relationship that is both valued by the partner and not readily attainable from alternate, potential partners. The provision of partnership advantage results in benefits for each firm through its inherent reciprocity and, furthermore, because of the interdependent nature of the relationship, contributes to the partner firms' joint competitive advantage in the customer marketplace. Finally, partnership advantage has its greatest strategic value when resources committed to the partnership by one firm result in reciprocal commitments from the partner firm that are in some way complementary and, thus, provide synergy to the partnership.

The authors gratefully acknowledge the support of the Marketing Science Institute and the Distribution Research and Education Foundation, and the William L. Ford Chair in Marketing and Wholesale Distribution held by the second author.

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