Branding implications of partner firm-focal firm relationships in business-to-business service networks
Felicia Morgan, Dawn Deeter-Schmelz and Christopher R. Moberg
Ohio University, Athens, Ohio, USA

Abstract
Purpose – By outsourcing or partnering with two or more firms to perform certain activities targeted toward customers, firms are engaging in service networks. This research begins to examine how customers evaluate firms in a strategic, B2B service network and how their assessment of firms involved in co-producing after-sales service affects their evaluations of a focal selling firm. These evaluations include the key relational outcomes of brand image, satisfaction, and behavioral intentions.

Design/methodology/approach – The conceptual model examines the effects of partner firm performance on customers’ evaluations of a focal selling firm. Key factors such as focal brand strength and the strength of the relationship between the partner firm and the focal selling firm are proposed to influence this relationship.

Findings – Post-sale business services provided directly to the customer are likely to play an important role in building a firm’s brand image and equity, whether those services are provided by the firm or its partners.

Research limitations/implications – The individual firm to individual customer dyad approach that currently dominates the literature does not adequately capture the complex nature of today’s B2B service relationships. This research develops a conceptual model that directly addresses the way customers evaluate service when it is performed by multiple partners.

Practical implications – Discovering how customers evaluate service experiences in which multiple firms co-produce the service within a B2B service network can provide firms with the guidance needed to improve the performance of the entire network and the overall service experience of network customers.

Originality/value – This paper presents new theoretical developments in the area of business-to-business service networks. This research also addresses several gaps in the industrial marketing literature, particularly B2B services and branding.

Keywords Service industries, Networking, Business-to-business marketing, Brands

Paper type Research paper

An executive summary for managers and executive readers can be found at the end of this issue.

Introduction
One important recent development in the marketing literature has been the application of the network paradigm to the study of service provider relationships with customers. Because service providers often work with other firms to meet the ever-increasing expectations of customers, the complexity of relationships is increasing. Utilizing the individual firm to individual customer dyad approach that currently dominates the literature does not adequately capture the complex nature of today's service relationships. Researchers need to examine the relationship between customers and “service networks”, where two or more entities jointly provide a service experience to a customer, for two main reasons. First, discovering how customers evaluate service experiences in which multiple firms co-produce the service can provide firms with the guidance needed to improve the performance of the entire network and the overall service experience of network customers (Morgan and Tax, 2004; Morgan, 2004). Second, consumers’ perceptions of services co-produced by multiple providers can have important branding implications, for service delivered by a third party can affect the brand strength and/or image of the focal firm (Ahlwalia et al., 2000; Dube and Maute, 1998; Simonin and Ruth, 1998).

Early research on service networks has focused on business-to-consumer (B2C) relationships. For example, Morgan (2004) examined how consumers evaluated service providers involved in having a car repaired after a minor accident. In that study, the service network consisted of a focal firm (an automobile insurance company), and two partner firms, a repair shop and a rental car firm. Morgan’s study (2004) strongly suggests that, in service network contexts, partner firm performance is a key influence on consumer evaluations of the focal firm, including the focal firm’s brand strength and image. Specifically, the results indicated that partner firm performance, the strength of the focal brand (the insurance company), and the perceived strength of the relationships between the focal firm and its partner firms all significantly influence consumers’ evaluations of the focal brand’s image during a service network experience.

While examining consumer evaluations of service networks is valuable, there are business-to-business (B2B) contexts where service networks are common, even when tangible
goods are sold. We argue that critical differences between B2C and B2B service networks exist. Consider, for example, a customer purchasing a computer. In a B2C context a consumer may interact one-on-one with a provider such as Dell to purchase a single computer. Subsequent interactions with third-party providers might include a shipping firm such as UPS and after-sales service. Alternatively, in a B2B environment the process is more complex. The selling firm may work with multiple members of a buying center rather than a single customer. Once a buyer and seller have entered into an arrangement, customer satisfaction largely depends on the service provided after the purchase or during the term of the contract. Much of the B2B buyer's evaluation will be related to logistics and customer service activities such as warehousing, order fulfillment, order tracking, delivering the right product at the right time, smooth installation, and accurate billing (Dwyer and Tanner, 2002; Moberg and Speh, 2004; Rogers and Daugherty, 1995; Sheffi, 1990). Product support in the forms of general service, warranties, provision of spare parts, expert assistance, online assistance, and field service is also more critical in a B2B environment in which customers are dependent on suppliers to deliver the services needed to operate (Kumar and Kumar, 2004). The increased complexity of this process highlights time as a potential difference between B2C and B2B, i.e. the total time for delivering a co-produced B2B service is likely to be longer than that for delivering a co-produced service in a consumer setting. Given these key differences, we argue that research examining B2B service networks is warranted.

The previous review highlights the practical differences between service networks in B2C versus B2B settings. However, these are not the only differences worth exploring; key theoretical differences may also exist. For consumers, the notion of network coheres around an “experience”. The primary question is whether the service network experience will cohere in a B2B context: will the buying firm perceive the network as a whole and interpret the co-produced service as a single process representative of a single brand? Or will the industrial buying firm recognize outsourced processes as representative of separate brands? One can imagine a situation in which a retailer purchases a manufacturer's product from a distributor and receives that product from a third-party transportation firm. Does the retail buyer interpret this purchase as an experience or as a series of separate activities provided by separate firms? Research examining these ideas is needed to assist manufacturers as they build relationships with partner firms and develop and implement branding strategies. The dearth of studies exploring branding from an industrial marketing perspective underscores the need for theoretical development in this area (Lynch and de Chernatony, 2004).

Based on the scarcity of research on service networks and the need to examine the impact of service networks on customer-firm relationships, including branding implications, the major goal of this research is to conceptualize how customers evaluate firms in a B2B service network and how their assessment of the firms co-producing the after-sales service affects their evaluation of the focal (selling) firm. In the following sections we discuss service networks, service processes and experiences, and the role of brand image in a service network. Next, we explore service networks and branding in a B2B context and offer research propositions. We end with a discussion of implications for researchers and practitioners.
A service experience is a "time-bounded progression of events beginning with the identification of service consumption as a distinct situation and ending with the resolution of the situation". They suggest that an experience begins when the consumer defines a situation in response to a given need and begins activity (i.e. thoughts, feelings, and behaviors) related to addressing the need. The experience concludes when the functional and emotional outcomes of the service are realized. Pragmatically, we can assume logical starting and ending points of an experience for many everyday services, but without asking each customer specifically, we are confined to the limitations of the assumption. Thus, when examining service network experiences (as was the case in Morgan, 2004), a key implicit hypothesis is that the customer perceives the network as a whole and interprets the service co-production by multiple members as a single process, under the aegis of the focal brand. Although Morgan (2004) found support for this hypothesis in a B2C context, it remains to be seen whether the holistic service network "experience" will remain a viable unit of analysis in a B2B setting.

Brand image in a service network context

A brand is a multidimensional construct linking the value-creating activities of suppliers with perceptions in customers’ minds (de Chernatony and Dall’Olmo Riley, 1999). For branding strategies to be successful, and brand equity to be created, customers must perceive that there are meaningful differences among brands in the product or service category. Establishing a high level of brand awareness and positive brand image in memory produces the knowledge structures that can affect the customer response and produce customer-based brand equity (Keller, 1998). The strength, favorability, and uniqueness of the associations that comprise brand image play a critical role in determining the customer response differential. Thus, it is brand image that is primarily responsible for brand differentiation.

Service brand image is the customer’s “mental picture of the brand created in response to brand related stimuli” (Padgett and Allen, 1997, p. 52). Because of the intangible nature of services, building and managing service brand image requires an understanding of how customers make sense of services, or create and attach self-relevant meanings to service experiences. There are more points at which customers interact with services brands (versus goods brands) and the experience is more strongly influenced by employees (e.g. Burmann and Zeplin, 2005), which can result in greater variability. An important goal for brand managers is to achieve brand differentiation while maintaining a consistent brand experience across “brand touchpoints”. A “brand touchpoint”, also known as a “brand contact”, is defined as any information-bearing experience that a customer or stakeholder has with a brand (Schultz et al., 1993). Brand touchpoints include the company’s controlled communications of the brand’s purpose and identity, the core elements of the brand such as logos, symbols, and advertising tag lines (i.e. the “presented brand”; Berry, 2000), encounters with service-producing employees of the firm, and external brand information essentially uncontrolled by the company, including word of mouth messages (Schultz et al., 1993) and the behaviors of distributors and agents (Duncan and Moriarty, 1998). Because a brand is essentially the sum of its touchpoints, direct and indirect, explicit and hidden
communication dimensions must all be recognized and accounted for by managers in order to achieve a consistent brand message (e.g. de Chernatony and Dall’Olmo Riley, 1999, Duncan and Moriarty, 1998). However, this task takes on new levels of complexity when critical service components are delivered by employees of network partners, or in other words, are outsourced (Burmann and Zeplin, 2005).

An increasing number of researchers and practitioners seem to agree that it is at least as important for the employees of an organization to understand the concept and values associated with the brand as it is for customers (e.g. Berry, 2000; Ind, 2003; Mitchell, 2002). For service organizations, internal branding, or the process of gaining employees’ intellectual and emotional buy-in to the brand, is an especially relevant means of driving brand and business performance (Thompson et al., 1999). This is primarily due to the fact that for many services, it is employees who create the brand experience for customers. According to Berry (2000), the primary source of brand meaning for customers who have actually experienced a service is the experience itself. Thus, the brand is created and recreated for customers at every service encounter. Because the customer-brand experience is driven by all employees who contribute to the brand’s products, services, and communications, all employees need to be familiar with the company’s presented brand concepts and strategies, and be committed to “live” the brand both inside the organization and out (Burmann and Zeplin, 2005).

However, Berry (2000) emphasizes that for services firms, customer-contact personnel are the primary medium through which brand image and equity are built; thus, without a connection to and understanding of the brand, these employees can most easily undermine advertising-driven expectations with inappropriate words or behavior (Mitchell, 2002). Contact employees can make the brand come alive only by representing the beliefs, attitudes, and behaviors associated with the brand in such a way that customers perceive a consistent message across the whole range of services provided (de Chernatony and Dall’Olmo Riley, 1999). Berry and Parasuraman (1991, p. 129) recommend that firms adopt the practice of internalizing the brand, which involves “explaining and selling the brand to employees […] training employees in brand-strengthening behaviors […] rewarding and celebrating employees whose actions support the brand”.

Although we may conclude that customer-contact employees are the primary medium through which service brand image and equity are built (Berry, 2000), and thus internal branding is especially critical for services firms, it is inherently difficult to apply “internal” branding philosophies and tactics to service experiences that span two or more organizations. When important components of a total service experience are delivered by the employees of another firm, how can the objectives of internal branding – namely the intellectual and emotional buy-in of employees – be achieved? There are implications for selecting, managing, and maintaining relationships with service network partners that have similar cultures and a willingness to cooperate and coordinate activities toward achievement of superordinate, or network goals (Bucklin and Sengupta, 1993). Because of the intrinsically difficult nature of managing the activities of service providers not under the organization’s direct control, the service network context represents unique challenges for managers. A service organization must not only be aware of the potential effects of network partner activities on the organization’s own brand image, the organization must manage and attempt to leverage these effects to ensure brand differentiation among competitors and consistent and favorable service brand image in customers’ minds.

B2B service networks and branding

A review of the services literature reveals that research on service networks is in its infancy and focuses on the impact of service networks on customer perceptions only in traditional B2C environments (e.g. Morgan, 2004; Morgan and Tax, 2004). In the B2B and industrial marketing literature, the increasing existence and importance of networks to business marketers has been recognized (e.g. Gummesson, 2004; Coviello et al., 1997). However, much of the research on critical B2B concepts and theories, such as customer relationship management and supply chain management, ignores the network perspective and continues to focus on customer-supplier dyads (e.g. Gummesson, 2004; Moberg et al., 2003). The proposed examination of the branding impact of service networks on focal firms in B2B environments can add to both the services and B2B literature domains because it considers simultaneously the potential effects of the multiple brand relationships within the network, rather than adopts a dyadic perspective.

While research on branding in B2B service networks is lacking, researchers have begun to examine service quality, customer evaluations of service, and branding from an industrial perspective. Bolton et al. (2003) have taken an important first step in studying customer service evaluations by business customers, finding that both the functional and technical qualities of service delivery influenced business customer evaluations. In another study, van Birgelen et al. (2002) used a sample of international customers of a multinational office equipment manager to study the effects of national culture characteristics on buyers’ evaluations of face-to-face versus technology-infused service delivery. Lin et al. (2005) conducted an in-depth investigation of the service quality of after-sales service information in the Taiwanese machine tool industry, albeit from the manufacturers’ perspective. These studies, along with several others, highlight a key point: the competitive advantage for most B2B firms lies in the added value associated with superior service rather than in the elements of the marketing mix (Bolton et al., 2003; Donath, 2001; Lele and Sheth, 1987; Loomba, 1998). Good service drives customer satisfaction, promotes customer loyalty, and thus is a key defensive marketing strategy (Berry, 1995). Indeed, research has provided evidence of a link between service and the long-term financial performance of industrial service firms (Kumar, 1999). Still, little is known about the influence of service on the satisfaction and loyalty behaviors of business customers.

Although in recent years more attention has been focused on B2B branding, it nevertheless represents another under-researched construct in the industrial marketing literature (Lynch and de Chernatony, 2004). Yet industrial firms increasingly are turning to branding to differentiate their products and/or services (Shipley and Howard, 1993). As argued by Lynch and de Chernatony (2004), the clusters of functional and emotional values that comprise a brand promise the buyer a unique, positive experience, whether that buyer be operating in a B2B or B2C environment. In support
of this premise, Mudambi (2002) found that industrial buyers consider branding in their purchase decision, although the importance of branding varies by buyer and purchase situation. Sweeney (2002) reported that business brands played a critical influencing role during four stages of the purchasing decision process, including the development of the supplier list, the shortlist of firms for negotiation, signing the purchase agreement, and deciding on supply and support services. These findings suggest that branding can play an important role in the B2B purchasing process.

Some researchers have argued that B2B brands go further than B2C brands by creating ties with other stakeholders, including channel intermediaries and employees, as well as customers (Lynch and de Chernatony, 2004; APQC International Benchmarking Clearinghouse, 2001). In essence, the brand is the sum of all customer interactions with the company, which in the industrial environment can include billing, promotions, salespeople, product demonstrations, trade shows, as well as after-sales support services (Smith, 2004). Importantly, these interactions between the customer and the firm are equivalent to the brand touchpoints discussed previously. By outsourcing or partnering with two or more firms to perform certain activities targeted toward customers, B2B firms are engaging in service networks.

**Proposed model**

The fundamental premise of this study is that customers’ experiences with partner firms within a strategic B2B service network will affect their evaluations of the focal firm. This is the main relationship of interest in this study and it is depicted in Figure 2 with a horizontal arrow from the independent variable (i.e. partner firm performance), to the dependent variable (i.e. customer evaluations of focal firm). These customer evaluations include key relational outcomes such as the brand image of the focal firm (i.e. brand meaning; Berry, 2000), satisfaction with the focal firm, and behavioral intentions toward the focal firm. Because customer perspectives on networked organizations have been scarcely studied, we have chosen to focus primarily on the independent variable (i.e. partner firm performance) and its relationship with customer evaluations of the focal firm. For the purposes of this study, we consider other variables only in their capacity as moderators of this relationship. The other variables of interest are the key factors proposed to influence the manner in which experiences with partner firms in the network affect customer evaluations of the focal firm. These situational or “context” factors include the strength of the relationship between the focal firm and the customer, focal brand strength, the importance or “criticality” of the partner’s service within a particular service network context, and the strength of the relationship between the focal firm and the partner firm. Two of these variables – focal brand strength and focal firm-partner firm relationship strength – have been shown to influence the extent to which partner episodes impact a focal firm’s brand image in a consumer setting (Morgan, 2004).

A moderator-oriented approach to this research is appropriate for several reasons. First, according to Baron and Kenny (1986), moderator research is typical when there is a strong focus on a particular predictor variable. Our primary interest is in developing theory relevant to the independent variable, partner firm performance, and its effects on customer evaluations of the focal firm. Second, although the potential for mediation exists among some of the variables in the proposed model, this remains an empirical issue for future study; at this stage, the independent variable, partner firm performance, is not conceptualized as causally antecedent to any of the other exogenous variables. Finally, the relationship between partner firm performance and customer evaluations of the focal firm has potentially critical managerial implications for the focal firm, but of course, the focal firm has little control over partner actions. Thus, information about actionable (i.e. controllable) factors moderating this relationship will be of high value to practitioners and managers who are actively engaged in partnerships and service network alliances.

**Figure 2 Proposed model**
Research propositions

Partner performance
Proposition one reflects the fundamental premise of this paper: the actions of partner firms in the service network will affect customer evaluations of the focal firm. Firms within a service network co-produce the service experience for the customer. In so doing, these firms effectively create (implicitly or explicitly) co-branded services, establishing “experiential” brand alliances in the presence of their customers. Brand alliances involve the long- or short-term association or combination of two or more individual brands (Rao and Ruckert, 1994) that may be represented physically (e.g. a bundled package of branded products) or symbolically (e.g. advertisements, documents, signage) and are subject to the context effects of proximate cues (Simonin and Ruth, 1998). These proximate cues may come from either marketer-controlled sources or secondary sources (Keller, 1998). Marketer-controlled sources include tangible evidence within the servicescape such as documents, signage, and equipment (Bitner, 1992) and verbal information from service providers (Keller, 1998). Secondary sources include other individuals, organizations, places, and events (Keller, 1998). Simonin and Ruth (1998) demonstrated that brand alliances create spillover effects to the equity of the core brands. These effects arise from customer perceptions of the nature of the associations and “fit” between the brands.

Morgan’s (2004) study demonstrated a similar effect in a consumer service network: the brands presented together in the network formed an experiential alliance that customers evaluated in much the same manner as the de facto brand alliances studied by Simonin and Ruth (1998). Morgan (2004) found that any levels of association within the service network – i.e. any perception on the part of customers that the firms were part of the same service process or experience – will create significant feedback effects to the focal brand. In that study, the effects took the form of an improvement or decline of brand image.

According to Berry’s (2000) services branding model, it is the customer’s experience with the firm that has the most influence on the firm’s brand image. The presented brand and external brand communications influence brand image to a much lesser degree. Morgan’s (2004) empirical findings suggest that not only is this true, but the influence on brand image extends to experiences with partner firms that the customer associates with the focal firm. This suggests that even a firm with a strong presented brand and favorable external communications cannot maintain a favorable brand image unless the customer’s experiences with the firm – and its partners – continue to be positive.

It is expected that the partner firm’s performance will affect other relational outcomes such as satisfaction with and behavioral intentions toward the focal firm. Customer satisfaction is an overall post-purchase evaluation, the customer’s fulfillment response (Oliver, 1997). The most widely used model within the customer satisfaction literature is the disconfirmation of expectations paradigm (e.g. Oliver, 1997; Oliver and Bearden, 1985). This paradigm holds that customers compare perceived product and service performance to expectations and that satisfaction is a function of the discrepancy between perceived performance and expectations. Performance that exceeds expectations is positively disconfirmed, performance that meets expectations is confirmed, and performance that falls short of expectations is negatively disconfirmed. The more positive the disconfirmation, the greater the satisfaction. Within this model, perceived performance has been shown to be a strong determinant of satisfaction evaluations (e.g. Cadotte et al., 1987; Gupta and Stewart, 1996; Tse and Wilton, 1988).

Perceived performance has been conceptualized as a composite of attributes or benefits received. In a service network context, customers “receive” these benefits directly from a partner firm which, from the customer’s viewpoint, performs as an extension of the focal firm. Thus, the partner firm’s performance will be a key determinant of the customer’s satisfaction with the focal firm.

Finally, both satisfaction and brand image have each been positively associated with customer loyalty (e.g. Bolton et al., 2003; Oliver, 1997) and we expect that these relationships will also hold within the B2B service network context.

PI. The network partner’s performance will have direct and positive effects on customer evaluations of the focal firm.

Focal brand strength

Associations resulting from customers’ prior first-hand experiences with service network brands, whether within the network or elsewhere, will be a significant source of information (Berry, 2000). If a focal brand is strong, customers will extend concomitant favorable and unique associations to other brands and firms to which it is perceived to be connected (Simonin and Ruth, 1998). According to Aaker (1996), a signal of brand strength is the brand’s resilience in the face of misfortune. Stronger brand beliefs and attitudes are more resistant to negative information and customer loyalty and commitment enable a strong brand to better withstand any relationship transgressions that customers ascribe to the company or the brand itself (Ahluwalia et al., 2000; Dube and Maute, 1998). Hogarth and Einhorn (1992) note that as information accumulates and as people become more firmly committed to their beliefs, sensitivity to new information declines. A strong brand implies strongly held brand beliefs, strong brand equity, and more pieces of accumulated information. Additional pieces of “information” gleaned by the customer – i.e. brand knowledge obtained via an experience with a service network partner brand – represent a smaller percentage of the customer’s brand image knowledge structure, and will therefore cause little or no brand belief updating to occur for a strong brand (see also Petty and Cacioppo, 1986). Within the service network context, then, it is reasonable to expect that the stronger the focal brand, the more resilient it will be to the effects of partner brand episodes on customer evaluations of its brand image. Weak focal brands will be more subject to feedback effects from partner performance.

Brand names function not only as associative cues, but also as predictive cues of product performance (Janiszewski and Van Osselaer, 2000; Keller, 1998). In a rare empirical study of customer evaluations of a complex service (packaged tours), Andreassen and Lindestad (1998) demonstrated that a firm’s image is a strong predictor of customer satisfaction and loyalty. A strong brand presents a strong promise, setting up higher expectations on the part of customers. Prior research has demonstrated that brand expectations are a key factor in customer satisfaction evaluations (cf. Cadotte et al., 1987;
Gupta and Stewart, 1996; Tse and Wilton, 1988). We propose that the customer’s expectations of a focal firm as developed through the presented brand and/or direct experience will extend to those partners the focal firm has “charged” with co-providing its services.

P2. The focal firm’s brand strength will moderate the effects of partner firm performance on customer evaluations of the focal firm.

Focal firm-partner linkage strength
Simonin and Ruth (1998) found that brand alliances of different types significantly affect the respective partnering brands. The strength of the association between brands in a brand alliance impacts customer evaluations of the composite, or whole, as well as the individual brands (Simonin and Ruth, 1998). In a B2B service network, customer perceptions of the strength of the association between the partner firm(s) and the focal firm may be influenced by the type of relationship (i.e., contractual, agency) and/or the level of interdependency. In the brand alliance literature, Rodrigue and Biswas (2004) found that complementary partner firm capabilities and the presence of a contractual relationship with the focal firm (i.e., a strong association) impacted consumer attitudes toward the alliance and the core brands. Other sources of information for customers as to the strength of the partner firm-focal firm relationship may include conflict handling, level of interdependence, and quality of information exchange (Wiertz et al., 2004). Wiertz et al.’s (2004) study suggests that within a multi-channel service system, high levels of these dimensions are positively related to optimal levels of customer service. Thus, the more members of the service network are perceived to cooperate, the more likely customers will perceive them as strongly linked. As with previous findings from the brand alliance (e.g., Simonin and Ruth, 1998) and (nascent) service network domains (Morgan, 2004), the stronger the customer-perceived links between brands, the greater the spillover effects to the core brands. In the service network, episodes with partners that have strong linkages to the focal brand will have a stronger impact on focal brand image than episodes with weak linkages.

P3. Focal firm-partner firm relationship strength will moderate the effects of partner firm performance on customer evaluations of the focal firm.

Focal firm-customer relationship strength
The behavior of entities is often moderated by context. Business markets are domains in which buying and selling companies interact; the interaction takes place within the context of a relationship. Supplier-customer relationships in B2B markets evolve over time and, with mutual investment, often increase in value (Turnbull et al., 1996). Such relationships may be characterized by increasing mutual adaptation and increasing commitment (Ford, 1982). Concomitantly, this interactivity may be expected to lead to stronger bonds of loyalty between the relational parties (Turnbull et al., 1996). The marketing literature suggests that the nature and strength of B2B relationships should moderate the effects of firm performance on customers’ evaluations and behavioral intentions (e.g., Bendapudi and Berry, 1997; Dwyer et al., 1987). While most support of such effects is conceptual in nature, emerging empirical evidence suggests they are likely to occur. For example, a recent study by Bolton et al. (2003) strongly supports the notion that relationship characteristics such as nature and duration moderate the effect of firm performance on customer evaluations. Boulding et al. (1999) show that as customers gain experience in evaluating a service over time, they change their evaluation strategies, weighing prior opinions more heavily than new information (see also Hogarth and Einhorn, 1992). Thus, a strong and long-standing relationship between a focal firm and a given customer may better situate the focal firm to withstand any repercussions arising from a partner firm’s service failures or transgressions during contact with that customer.

P4. Focal firm-customer relationship strength will moderate the effects of partner performance on customer evaluations of the focal firm.

Importance of partner service
The marketing literature suggests that although every service encounter is important, some are more “critical” than others and contribute more to customer satisfaction or dissatisfaction (cf. Bitner et al., 1990). The term “core service” has been used to describe the bundle of services or products that companies must produce to fulfill the needs of customers or target markets. Within a B2B service network, certain after-sales support activities such as installation of equipment or the operation of a call center may be considered more “core” than billing or other administrative tasks. Regardless of who performs these services, these core activities are likely to weigh more in overall evaluations of the service, the network, and the focal firm. Core services performed by partners will be subject to no less scrutiny than core services performed by the focal firm itself. In accord with this line of thinking, a study by Leuthehesser and Kholi (1995) suggests that buyers are likely to place greater emphasis on interactions with suppliers when the stakes are relatively high. From the buyer’s perspective, the stake in a relationship with a particular supplier tends to be higher when the product or service being purchased is relatively more important. It is reasonable to expect that customers of a service network will weigh those “core” or more important service components more heavily than other, more peripheral activities. Thus, the more important the service provided by the partner, the more it will create feedback effects to the focal firm.

P5. The importance of the service provided by the partner will moderate the effects of partner performance on customer evaluations of the focal firm.

Discussion
The primary contribution of this study is the development of a model of the potential effects of partner firm performance on customers’ evaluations of the focal firm in a B2B environment. We have proposed that the network partner’s performance will have a direct and positive effect on customer evaluations of the focal firm. We have further proposed that this relationship will be moderated by:
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- the focal firm’s brand strength;
- the focal firm-partner firm’s relationship strength;
- the focal firm-customer relationship strength; and
- the importance of the service provided by the partner firm.

In developing this model we have addressed several gaps in the literature, including the lack of research on B2B services and B2B branding. In addition, by testing this model of service networks in a B2B context, we are extending the work of Morgan and Tax (2004) and Morgan (2004), who explored service networks in a B2C context. Our conceptualization holds implications for both managers and researchers.

Managerial implications

Research within the B2C environment provides empirical evidence that in service networks, partner firm performance influences customer evaluations of the focal firm. If this finding holds in the B2B environment, then selling firms would be advised to consider partner firms carefully, keeping in mind that each brand touchpoint affects the focal brand. Firms with similar cultures that demonstrate a willingness to cooperate and coordinate activities to achieve network goals would be good candidates (Bucklin and Sengupta, 1993). Practitioners should also recognize the important role customer contact personnel play in brand image and equity development, whether those contact personnel be from the focal firm or a partner firm (Berry, 2000). Practitioners representing the focal firm could, for example, share hiring criteria and training modules with partner firms as a means of ensuring more consistent service delivery.

Our proposed model highlights the importance of a strong brand name, particularly if partner firms under-perform (Ahluwallia et al., 2000; Dube and Maute, 1998). Certainly a strong brand name can be crucial to organizational success, regardless of context. Still, the strength of the brand takes on greater importance when that brand could be affected by a partner firm. Industrial organizations participating in service networks are therefore advised to be aware of the brand image and the strength of that image, and to consider likely ramifications if a partner firm delivers poor service to a customer. The focal firm also needs to be aware of the strength of the brand relationships with partner firms. If the focal firm has faith in the partner firm and customers perceive the link is weak, the focal firm might take steps to build that relationship. On the other hand, if the focal firm has less confidence in the partner firm, the focal firm may wish to keep the relationship weak and/or find a new partner firm.

We have proposed that the importance of the service provided by the partner firm will moderate the effects of partner performance on customer evaluations of the focal firm. One can imagine, for example, the importance of call center services to the customers of a B2B firm that has outsourced these activities completely. Because this service is of great importance to the customers serviced by the call center, good performance by the partner firm would likely result in positive evaluations of the focal firm, whereas bad performance would likely result in negative evaluations. Alternatively, the outsourcing of billing activities may have less of an effect, in that customers may not recognize the importance of this activity. Practitioners will need a clear understanding of which services are perceived important by their customers. By focusing on those service elements most important to customers, the focal firm will be in a better position to manage brand strength and brand image effectively.

Implications for future research

By developing a framework of B2B service networks we have taken an important step in furthering theory development in this new area of research. Clearly the next step in the research process involves testing the proposed model. Is the model reflective of B2B service networks, or are alternative models possible? Have we accurately conceptualized the moderating variables? Only further research can answer these questions.

In addition to extending current theory on service networks, we also extend theory on industrial branding, a construct that remains under-researched in the business-to-business literature (Lynch and de Chernatony, 2004). Yet industrial firms increasingly are turning to branding to differentiate both products and services (Shipley and Howard, 1993). We suggest that brand strength of the focal firm will moderate the relationship between partner firm performance and customer evaluations of the focal firm, including brand image. Empirical tests of this relationship will add to our understanding of the role business brands play in the minds of industrial customers. Do organizational buyers perceive a single experience as suggested by B2C service network research (Morgan, 2004; Morgan and Tax, 2004)? Or, can organizational buyers clearly delineate the service/brand offered by the focal firm as compared to the partner firm? Research examining these questions is needed.

We have argued that key relationship-building functions comprising after-sales service and support are likely to be outsourced to parties external to the B2B selling firm. However, one can find examples of B2C and B2B firms that have brought previously outsourced services in-house due, in part, to the focal firm’s negative experiences. For instance, less than a year into the contractual relationship, Sears recently terminated a ten-year, $1.6 billion outsourcing agreement with Computer Science Corp. (CSC) based on allegations that CSC failed to perform certain obligations (Chain Store Age, 2005). Similarly J.P. Morgan has not renewed a $5 billion contract agreement with IBM, deciding instead to begin performing many IT functions in-house (King, 2005). Under these conditions the B2B service network would become less complex; indeed, if all outsourced functions were brought in-house, the B2B service network would cease to exist. Experts have argued that examples such as those previously described do not indicate a counter-trend to the outsourcing movement (King, 2005). Nevertheless, as a means to provide practitioners relevant information, researchers might track these examples to determine if a new trend is on the horizon. Research investigating the drivers of decisions to revert previously outsourced service production in-house would also aid our understanding of changes in service networks.

Conclusion

Service networks represent an exciting new area of research. By developing a conceptual model of B2B service networks we have addressed several gaps in the industrial marketing literature, namely B2B services and branding, and extended previous literature on service networks (i.e. Morgan, 2004;

References


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About the authors
Felicia Morgan earned her PhD in marketing at Arizona State University in 2004 and is currently an Assistant Professor of Marketing at Ohio University. Her research publications and presentations focus on services marketing and management, services branding, and managing customer experiences. Prior to earning her doctorate, Felicia spent over 12 years working in marketing, finance, and management within the services sector. She also enjoyed an early career as a professional musician. Felicia holds a Bachelor’s degree and an MBA from the University of New Orleans. Felicia Morgan is the corresponding author and can be contacted at: morganf1@ohio.edu

Dawn Deeter-Schmelz (PhD, University of South Florida) is Associate Dean for Strategy and Operations, Marketing Department Chair, and O’Bleness Professor of Marketing at Ohio University. Her research interests include customer service teams, sales management and buyer-seller relationship issues, business-to-business e-commerce, and scale development. She has published in *Journal of the Academy of Marketing Science, Journal of Marketing Theory and Practice, Industrial Marketing Management, Journal of Supply Chain Management, Journal of Personal Selling & Sales Management, Journal of Marketing Education*, and *Journal of Business Logistics*, among others.

Christopher R. Moberg is the Robert H. Freeman Professor of Logistics Management in the Marketing Department at Ohio University. He received his DBA from Cleveland State University, and his research and teaching interests include logistics and supply chain management, marketing strategy, business ethics, and services marketing. His research has been presented at several national conferences and appeared in several journals, including the *Journal of Business Logistics, International Journal of Physical Distribution & Logistics Management, International Journal of Logistics Management, Supply Chain Management Review, Annals of Operations Research, Mid-American Journal of Business, Marketing Education Review*, and *Journal of Services Marketing*.

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