

The Value of Professional Ties in B2B Markets

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Abstract

We study how a particular form of social ties (i.e., professional ties proxied by past employment) affect price and profitability in business-to-business (B2B) markets. We ask: Do B2B buyers receive higher or lower prices from sellers with professional ties? Answering this question is challenging because, in addition to the potentially endogenous formation of social ties, it is difficult to observe B2B prices, individual decision-makers (IDMs), and elements of differentiation that drive price variation. We resolve these challenges by leveraging confidential data from the Federal Reserve on the repo market, the largest market for short-term loans with daily transactions of over \$2 trillion. Additionally, we use financial disclosure laws to unmask IDMs at sellers and use LinkedIn to reveal their ties. We show that a professionally-tied seller charges the buyer more, and in return, the seller acts more reliably toward the buyer in the face of supply-demand imbalances.

Subject Areas: *Business-to-Business Marketing, Finance, Organization Relationships, Pricing, Sales Force*

Track: Business-To-Business Marketing & Supply Chain Management