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PERCEPTIONS OF POWER AND DEPENDENCE BETWEEN RETAIL BUYERS AND FRESH PRODUCE SUPPLIERS WITHIN THE AUSTRALIAN FRESH PRODUCE INDUSTRY

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Abstract
The research aims to gain a deeper understanding of direct buyer-supplier relationships within the Australian fresh produce industry. Specifically, dependence and power within the buyer-supplier relationship are considered in terms of their antecedents and their relationships their-in. In-depth interviews with buyers and suppliers provided the means by which to expose perceptions with regard to the relative importance of dependence and power within the relationship. The research reveals that relationship antecedents (trading offer: price and quality) impact power and dependence and are, in turn, impacted by them.

Keywords
Buyer-supplier, relationships, fresh produce, retailing

Introduction
Most mainstream literature emphasises the movement away from traditional adversarial buyer-supplier relationships towards a new form of relationship based upon cooperation (White, 2000; Wilson, 1995). However, there remains great difficulty in defining and understanding the dynamics of the direct buyer-supplier relationship. This paper aims to develop an understanding of the dynamics between buyers and suppliers, using a qualitative research methodology. The core focus is in understanding the importance of dependence and power for organisations when considering direct relationships with a trade partner.

Conceptual Framework

Australian Fresh Produce Context
Both buyer and supplier organisations are considered within the context of the Australian fresh produce industry. Within this industry, “the future is bound to see a steady move away from traditional commodity trading with its emphasis on price, towards integrated supply chain partnerships with much greater emphasis on value-added and return on investment to all members in the supply chain” (Fearne & Hughes, 2000: 771). Key drivers include developing supermarket strategies, rationalisation of the supply base, increased innovation and competition and changing consumer concerns and demand (O’Keefe, 2002; van der Pol & Ryan, 1996). Added to this eclectic mix is fresh produce’s perishability and its inherent risk (Hobbs & Young, 2000; Wilson, 1996). Finally, supply, most often, outweighs demand (Batt, 2002).
In addition to such generic industry drivers, there are others, specific to buyers and suppliers. Supermarket retailers recognise the value in using fresh produce as a key strategic category capable of contributing significantly to customer store selection and loyalty (White, 2000), gross sales and profitability (Hughes & Merton, 1996). All buyers have different strategies to complement their core business (Grant, 1995), related not only to type but size of the organisation (Coviello, Brodie & Munro, 2000). Increased demand for quality product places pressure upon buyers to source those suppliers best able to meet quality specifications and provide continuity of supply (Knox & White, 1991). As such, they are identifying “the most compatible and sympathetic growers” (Wilson, 1996: 31). This might seem an ideal partnership. However, the situation is more complex. Profit maximisation is often couched in more altruistic terms including quality control, quality assurance and HACCP (Robson & Rawnsley, 2001). With profit in mind, buyers are increasingly passing responsibility for quality control, storage and associated costs to their suppliers (Fearne & Hughes, 2000). In addition, suppliers are aware that vertical coordination allows them year round access to large retailers, heightened security, additional information, feedback on variety acceptability and new product development and programming advice (Hughes & Merton, 1996). Whilst the aforementioned motives are increasingly providing motivation for buyer and supplier organisations, the importance of constructs such as power and dependence within this scenario has not determined. They are, however, especially relevant given the inequitable power balance that exists between suppliers and the two major retailers within the Australian fresh produce industry.

Relational Dimensions

In evaluating the literature regarding buyer-supplier relationships, the number of identified buyer-supplier relationship variables creates confusion. The literature has coined copious relationship constructs, including trust (e.g. Gulati, 1995; Wilson, 1989), commitment (e.g. Anderson & Weitz, 1992; Morgan & Hunt, 1994), cooperation (e.g. Anderson, Hakansson & Johanson, 1994; Wilson, 1989), dependence (e.g. Ganesan, 1994; Butaney & Wortzel, 1988), power (Palmer, 2002; Wilson, 1989) and long-term orientation (Kawlani & Narayandas, 1995; Ganesan, 1994). There is conflicting information regarding those that are most relevant to the development of a buyer-supplier relationship (Wilson, 1995). As such, Wilson (1995) suggests that the defining constructs of a buyer-supplier relationship are, perhaps, context specific, subsequently suggesting that further study of situational variables may influence relationship development.

In attempting to address the existing research limitations, this paper aims to build upon the extant knowledge of buyer-supplier relationships by means of a theory building approach. As most research has focussed on a particular construct within relationships, consideration of several constructs within the one model is necessary. Whilst this paper is part of a larger investigation that considers an holistic view of the buyer-supplier relationship, herein, only dependence and power are considered. The selection of these two constructs is specifically related to the perceived potential for dependence and power issues within the Australian fresh produce industry. Their importance is compared in relation to the proposed trading offer antecedents (quality and price). This paper aims to clarify understanding of the interaction between power and dependence and buyer-supplier relationship antecedents of direct relationships within this specific context.

Dependence and Power

“Perceived asymmetry in partnership advantage is posited as the antecedent to a firm’s perception of its relative dependence upon the working relationship” (Anderson & Narus,
Transactions and goals should be mutually beneficial (Hatton & Matthews, 1996) otherwise there is some indication that asymmetrical dependence of partners renders them vulnerable to the misuse of power and the likelihood that the relationship will fail (Ganesan, 1994). In addition, dependence has been associated with power (Skinner, Gassenheimer & Kelley, 1992) and trust (Kumar, 1996; Ganesan, 1994). Dependence is a central defining construct (Hogarth-Scott & Parkinson, 1993) of the buyer-supplier relationship and is considered in relation to trust, commitment and subsequent investment (Wilson, 1989). "Investments not only interlock the interests of both parties but also give rise to mutual trust" (Mummalaneni & Wilson, 1991: 9). The size of irretrievable investments, potentially lost with the dissolution of the relationship, is recognised as being a major precursor of commitment (Mummalaneni & Wilson, 1991). Lusch and Brown (1996) cite mutual dependence related to long-term orientation, inferring that both parties have a high stake in ensuring the relationship's success. Dependence is greater if there are no apparent alternatives (Ganesan, 1994). By contrast, if dependence is not apparent, there will be little incentive for either party to invest in the relationship. In addition, dependence is seen as positively impacting cooperation (Skinner, et al, 1992) and when interdependency exists, cooperation is inherent (Hogarth-Scott & Parkinson, 1993). Interdependence is not necessarily equal, and may change (Hogarth-Scott & Parkinson, 1993). If dependence is deemed overtly asymmetrical, distrust will result (Batt, 2002).

Respect and fair treatment for trade partners is mandatory for relationship success (Kumar, 1996). By contrast, the continual "...exercise of power to gain acquiescence...destroys trust and commitment which decreases cooperation and inhibits long-term success" (Morgan & Hunt, 1994: 35). Ganesan (1994) considers long-term orientation as an outcome of dependence and trust, which ultimately encourages trade partners to focus on the future. If this is to be achieved, successful buyer-supplier partnerships must avoid uncertainty, conflict and opportunism in favour of ideological agreement, compatibility and restrained use of power. This will impact the degree of cooperation and increase the motivation for maintaining the relationship (Wilson & Moller, 1995, cf. Batt, 2002). Procedural fairness binds relationships together (Kumar 1996) and for this reason, partners are often wary of exploiting their power (Palmer, 2002; Balabanis, 1998). Despite remaining in control of policies and procedures, the more powerful partner should recognise some responsibility for the others' profitability (Kumar, 1996) and sense of worth. For example, making a decision without explanation has a detrimental impact on trust (Kumar, 1996) and will result in low levels of satisfaction (Robson & Rawnsley, 2001). Buying power, low switching costs and access to market information, render some players more powerful (Porter, 1980 cf. Butaney & Wortzel, 1988) but opportunistic behaviour, ultimately, results in negative repercussions. Nevertheless, even when there is an imbalance of power, "...each firm is gaining control of at least one part of its environment while giving away some of its internal control" (Anderson, et al, 1994: 2).

Thus, as previously illustrated, the literature considers a variety of interrelated relationship constructs when considering dependence and power. These constructs, along with many others, are, sometimes, regarded as being an antecedent to the relationship, a defining construct of the relationship or as a performance outcome. Such ambiguity has led to the development of the following research question. This aims to define the relative importance of dependence and power within direct buyer-supplier relationships in the Australian fresh produce industry.

RQ1: How important are dependence and power to buyers and suppliers when operating within the Australian fresh produce industry?
Trading Offer: Quality and Price

The buyer-supplier relationship does not operate within a vacuum and may be influenced by other factors. Relationships are built upon the offering of both parties involved (Turnbull, Ford & Cunningham, 1996). Within the Australian fresh produce industry, buyers and suppliers perceive the trading offer as being quality and price. The volatility of the industry means that their importance fluctuates according to demand and supply. Trading offer refers to the actual product characteristics that are deemed of importance to the buyer and supplier. These are often considered obligatory before a relationship is considered. However, in certain circumstances, such as limited product availability, their importance may be reduced. Discussions with industry personnel reveal quality and price as the most important considerations for buyers and suppliers within the Australian fresh produce industry. This is supported through the literature which considers price and quality “classic criteria” (Lemke, Goffin & Szwejczewski, 2003) and, subsequently, of vital importance to the most rudimentary of exchanges. These are termed ‘trading offer’.

Quality is 'essential' for business/relationship success (White, 2000). Organisations that value high quality product seek relationship development with exceptional partners, despite the associated cost (Tracey & Tan, 2001). “Higher levels of customer satisfaction (i.e., competitive pricing, product quality, product variety and delivery service) and firm performance result from selecting and evaluating [partners] based on their ability to provide quality [products and] reliable delivery” (Tracey & Tan, 2001). However, when pursuing mutually beneficial relationships, price is considered with relation to quality requirements (Hatton & Matthews, 1996). Timeliness and demand impact quality (Kim, Park & Kim, 1999). This is especially important within the proposed social context, taking into consideration the perishability of the product. Buyers and suppliers must have confidence that the product will be delivered in a timely manner in order that quality is assured. This is closely related to the reliability of each party; hailed as a prerequisite for relationship development from the uncommitted to the developing stage (White, 2000).

The ability of buyers and suppliers to measure and control expense requirements (Fearne & Hughes, 2000) is of key consequence as it ensures organisational efficiency. Formerly, the transaction cost analysis approach to relationship marketing (Robicheaux & Coleman, 1994) stated that relationships were formed on the basis of minimising transaction costs. This is still important but is, by no means, the sole motivation. Zsidsin and Ellram (2000) posit the communication of cost data and analysis as a means by which to minimise costs and increase productivity. White (2000) cites the importance of competitive price maintenance as a key contributor in ensuring that buyer-supplier relationships do not decline after reaching a mature stage. Consideration of price and quality as trading offer antecedents leads to the generation of the following research question: -

RQ2: Do trading offer antecedents to the buyer-supplier relationship influence the importance of the dependence and power relationship constructs?

Methodology

Given the nature of the proposed research questions, an exploratory research design was deemed suitable, especially given the importance of the context within which the research is being conducted (Wilson, 1995). Depth interviews, using a semi-structured interview protocol were deemed the most appropriate research methodology. The unit of analysis was Australian fresh produce growers and retailers that were engaged in a direct relationship with their trade partner. The key informant was identified as the individual(s) within the buyer and
Perishability of the product heightens the need for communication (Knox & White, 1991). “Everything’s on a user basis...them telling me that their product is ready or me ordering what I need as I need it” (Peter, Tasmanian Buyer).

Power
The power construct is also considered of key importance by both buyers and suppliers. Within the Australian fresh produce industry, there are two predominant buyers. Herein lies the potential for severe inequality. However, few respondents cite any abuse of power. Major buyers state that they, actively, try to minimise suppliers’ perceptions of inequality. “It [power] actually works in reverse, more than anything else” (Gerald, Tasmanian Buyer). Despite inequality in size, most suppliers regard their relationships with major buyers as being equal. However, they acknowledge and accept that packaging, pricing and quality requirements are largely determined by the latter.

If both parties deem the relationship successful, grievances are better accepted.

“It think the thing that has really driven our relationship is [buyer representative]. He is a Tasmanian. He has been here the longest. I trust him. I can talk to him. I know that the things he tells me are not, necessarily, things he would require me to do but he’s just passing on information from the company so I am well aware that I can’t blame him” (Hugh, Tasmanian Supplier).

Most buyers and suppliers recognise that the latter carries most production risk. However, some recognise that the buyer, also, bears risk. “I think we both do [carry risk]. We are all making assumptions, how much to produce, how much we are going to sell” (Thomas, Victorian Buyer). Risk is minimised by dealing with multiple partners. The research reveals that most suppliers and small buyers have multiple direct and indirect relationships. “The way we manage it is [to] have a number of buyers” (Mel, Tasmanian Supplier).

It might be argued that partnerships between suppliers and large buyers survive because the former have acquiesced to the requirements of the latter. Non-compliant trade partners have disappeared from the supply chain; innovation being “...difficult to achieve and exploit in a sector which offers low margins for suppliers and in which first mover rewards are limited and short lived” (Feame & Hughes, 2000: 764). It is significant that only one interviewee stood out as being disenfranchised.

“Now, they’re going to start dictating we have to put that in cartons and they basically said be prepared to do it. On that volume, I couldn’t afford to put in the cool rooms and the packaging places to do it” (Maurice, Tasmanian Grower).

However, it is recognised that business transactions and, ultimately, profitability lie central to business relationships and that large buyers are, also, being driven by more technologically sophisticated global markets, consumer demand, competition (Coviello, Brodie & Munro, 2000) and regulation. Specifically within the fresh produce industry, six key criteria are cited for an efficient supply chain between buyers and suppliers. These are scale of operation, strategic alliance, production flexibility, continuity of supply, quality control and communication (Grimsdell, 1996).

Buyers and suppliers within the dyad should have an appreciation of the bigger picture. For example, they will then understand that large buyers are, often, responding to consumer demand in saying to them, “this is going to happen, then that’s what’s going to happen” (Robson & Rawnsley, 2001: 43). If there is an imbalance of constructs within the relationship, this may be misinterpreted as the misuse of power. In other words, if a trade partner perceives an imbalance of trust, commitment, or quality expectations, the relationship...
is endangered. Conversely, an understanding of the others’ position; a positive perception of the trust and commitment within the relationship might result in a different response. For example, “I know that the things that he tells me [buyer] are not necessarily things that he would require me to do but he’s just passing on information from the company, so I’m well aware that I can’t blame him” (Hugh, Tasmanian Grower). After all, “...even when the buyer-supplier relationships are close and personal, they still remain, at the core, ‘role’ relationships” (Mummalaneni & Wilson, 1991: 6). In acquiring quality fresh produce, large buyers have little choice but to “…squeeze costs out of the supplier chain” (Fearne & Hughes, 2000: 763). Those that remain are “…fewer, larger, technically efficient and innovative suppliers” (Fearne & Hughes, 2000: 763). This is felt by those unable, or unwilling, to comply. “Smaller entities in any part of the chain are being left out” (Hendrickson, et al, 2001). Those who are left, might, rightfully, perceive a definite imbalance of dependence and power within the relationship. “…Either I’ve got to get bigger or get out” (Maurice, Tasmanian Grower). However Maurice’s negativity is in the minority. The majority regard their partnerships as being successful.

“We are not in business to create a lot of friends, we are in business to make a lot of money. The bigger you are and the consistent growth every year that you have, cements your market position. It’s all about having the biggest market share and making sure you’re the best at what you do” (George, Victorian Grower).

In fact, the research highlights a definite move away from a dictatorial attitude. “Coming back to the old school where supermarkets would rule with an iron fist, there may be some people out there that have had to learn it has to be a win-win, not a single win on our behalf” (Thomas, Victorian Buyer). This is reinforced by the literature which states that “…past practices have to be unlearned before the new approach to managing relationships can be adopted” (Kumar, 1996: 105). The literature suggests that some may perceive an imbalance of trust and may regard larger buyers as being “…very secretive in the way they use their own information...reluctant to share any of it even though there are significant benefits to be gained for both parties” (Hogarth-Scott & Parkinson, 1993: 18). The research reveals otherwise; one grower perceiving the relationship as not being “…based on here’s my price, here’s my product, so them giving information about future trends, what you should grow, shouldn’t grow. They give guidance” (Sam, Victorian Grower). It is, also, suggested that growers “…don’t actually ask the questions but there’s a huge amount of opportunities missed because of it” (George, Victorian Grower). Thus, the perceived imbalance within the relationship may not, actually, exist. This may illustrate, instead, a lack of effective communication (if only in the perception of one dyad member) rather than an actual imbalance of power.

While recognising that businesses are likely to be complementary in their operations (Batt, 2002), for mere practicality, it appears that large buyers are more strategic in their selection of trade partners (Fearne & Hughes, 2000). Despite the majority of suppliers believing that their relationships are successful, they may still be intimidated by the corporate nature of the larger buyers. “As a general principle, supply personnel tend not to visit the head offices of retail companies except in extenuating circumstances” (Knox & White, 1991: 45). “The buyer doesn’t understand the power that they have such as going to head office, that is daunting for some growers. The larger growers can deal with that better” (Sam, Victorian Grower).

In addressing Research Question 1, the research finds that dependence and power are considered very important relationship constructs for both buyers and suppliers operating
within a direct relationship. The Australian fresh produce industry is distinctive in its volatility. Mainly, it does not operate on written contracts. For these reasons, the establishment of direct buyer-supplier relationships is important. However, these conditions generate a relatively high level of dependence between buyers and suppliers. Both parties acknowledge this. In addition, the opportunity for organisations (specifically large buyers) to engage in opportunistic behaviour is acknowledged, most often by suppliers. Participating large buyers refuted evidence of this within the fresh produce industry.

Trading Offer Antecedents
Throughout the extant literature, quality is predominantly associated with price (e.g. Hatton & Matthews, 1996). Similarly, respondents link the two, with results revealing quality as the most important consideration for both buyer and supplier. In fact, the research reveals a remarkable correlation. “Quality is your number one driver, second to that comes price” (George, Victorian Grower) and “Quality is number one and dollars come second” (Gerald, Tasmanian Buyer). It reveals, also, that trade partners perceive the development of direct relationships as being the best means by which to counter their industry’s widespread volatility regarding price, quality, supply and demand and perishability. “What they wanted and the price they were prepared to pay and the tolerances were so tight it was just not worth your while doing it...it's too much grief” (Nick, Tasmanian Supplier). “[There is the] ongoing pressures of trying to maintain product for them to their specifications and their prices” (Maurice, Tasmanian Supplier). Pressure is being felt by suppliers in that demand for quality remains constant, whilst prices fluctuate. “Supply and constant quality, day in, day out, is probably the big issue...just getting the right quality constantly” (Penelope, Tasmanian Supplier).

“It’s the total push all the time, [buyers] getting better product for less price and it’s just that squeeze all the time. It’s not a pleasant way for the producer. It’s a frustrating business...because he does not have any power to do anything about it” (Maurice, Tasmanian Supplier).

Such pressures endanger the relationship. These may be counterbalanced if suppliers perceive themselves as being valued. Incentives might include increased volume growth, “it’s part of the commitment we have to suppliers when we first started talking about quality assurance, that if the opportunity exists to expand them, we’d give them that option” (Gerald, Tasmanian Buyer). “The most successful relationships are those in which it’s a combined effort between the buyer, the quality controller and the supplier” (George, Victorian Supplier). However, suppliers, also, associate quality with various other constructs. “It keeps your quality up. It keeps you on your toes... positive feedback is as good as negative because it creates a good relationship. It’s all communication” (Penelope, Tasmanian Supplier). Penelope perceives associations between quality, communication and information.

Buyers cite links between price and quality, as evidenced by the following, “With the relationship we have with only a small band of suppliers it’s excellent so therefore you do get a better quality of product” (Norman, Tasmanian Buyer). “We like to compete on price, quality more than price” (Owen, Tasmanian Buyer). “Financially it would have an impact on your business and you get a better quality directly from the supplier” (Norman, Tasmanian Buyer). In addition, buyers acknowledge the importance of more consistent quality. “If you set up a relationship with one supplier...you don’t get variations in the quality as much” (Gerald, Tasmanian Buyer).

“[When I complain] based on price and quality, the way he displays himself once he’s heard, will give me an indication of, (a) I won’t buy that line for the minute but I’ll


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